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BEYOND
THE SUMMIT: CAN
GORBACHEV SURVIVE?

A WINNING WAY



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WINS HER PARTY'S
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NOW SHE FACES
THE VOTERS**



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Maclean's

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COVER

A WINNING WAY



Rita Johnston, who became Canada's first woman premier almost by accident when the B.C. Social Credit caucus chose her to replace William Vander Zalm on April 2, defeated four other candidates at a leadership convention in Vancouver. But separating herself from her disgraced former leader may prove to be her biggest challenge in a fast-approaching election campaign. — 12

SPECIAL REPORT

BEYOND THE SUMMIT



Leaders of the world's largest industrialized nations, Prime Minister Brian Mulroney among them, offered Mikhail Gorbachev plenty of advice at the G-7 economic summit in London. But the Soviet president left without the financial aid he had hoped for to help restructure his crumbling economy. — 24

CANADA

A CITIZEN'S CRUSADE



For three years, the Conservatives in Ottawa dismissed Glen Keshy's protests on Parliament Hill as the work of a crank. Then, a justice of the peace listened to his claims of corruption in the senior ranks of the party—and authorized him to lay charges, with the potential to embarrass the government. — 38

OPENING NOTES

Queen Elizabeth gets even, Arnold Schwarzenegger waxes political, and Claire Hoy sharpens his pen

A DOGGED APPRAISAL

OTTAWA *Citizen columnist Claire Hoy, known for his scathing right-wing views as well as his journalism, has signed an agreement with Standard Publishing Co. Ltd. to write a book about Newfoundland Premier Clyde Wells. Hoy is currently working in the Spotlight surrounding the Bay of Scorpions, his latest intelligence service, which he cowrote with Victor Ostrowsky, a former Montreal editor. Hoy told Maclean's that the Wells book was his idea. "I was looking around for another project and not very many politicians were interesting or fresh," he said. "But two that come*



Hoy: an outspoken columnist

to mind are Clyde Wells and Preston Manning, and I think about 250 people are already doing me on Manning." Although Hoy was an outspoken critic of the Wells label accord, which Wells helped to kill, he says that his interest in the premier is not just political. "Some of the other premier's hate his guts, and they have said so," said Hoy. "I have always been interested in people who attract strong emotional responses, positive or negative." Hoy claims that Wells has agreed to interviews. But Wells's press aide, Judy Foster, told Maclean's that Wells has not entered any agreement with Hoy. Said Foster: "Mr. Hoy informed Premier Wells that he was considering writing a book, but there was no agreement on an interview." On hearing their response, Hoy said: "If he doesn't want to talk to me, fine. He'll be the loser, not me."

A bitter vintage controversy

THE Alberta Liquor Control Board's decision to license seven new private wine stores has triggered cries of patronage. The successful applicants say that they are especially bitter that four of the ALCB's clinics have strong Tory connections. They include Harley Blackden, a Tory supporter and part owner of the Calgary Flames hockey team, and Donald Gertsen, a highly-placed Vancouver Tory and chairman of Viceroy Restaurants Alberta Ltd. In granting the licenses, the liquor board interviewed 63 out of the 103 applicants. Said retired colonel Lawrence Rogstad, past president of the Society of American Winos, who along with two colleagues spent \$3,000 on a failed bid: "This is Winnipeg, in which you're supposed to make it even when you're legitimate competition. And there wasn't. He added: "I seriously am considering going to



ALCB stores cries of patronage

the provincial establishment to protest this." But Premier Donald Getty denies that any patronage was involved. And Getty dismissed the continuing controversy: "You're going to have this," he said, "it goes with the responsibilities." The four grapes of wrath

NAME THAT VILLAGE

The tiny Philippine village of Sanseman has finally changed its name. With the full support of President Corason Aquino, the Philippine wine grapes joined a new list that restored the 400-year-old community's name to Sanseman, which simply means "meeting place." Local residents blame the early Spanish colonists for mispronouncing the name—and altering Sanseman to Sanseman. As a result, the village suffered through decades of derision. Said Mayor Abelardo Padilla: "We were always being held up to public ridicule." And heavy bleeding

THE EMPIRE STRIKES BACK

A state dinner for G-7 leaders in London last week, President George Bush braced himself by sitting down before Queen Elizabeth II. She rewarded him with a disapproving glare. Bush quickly stood—and then formally asked the Queen if he could sit next to her. The British press reported that Her Majesty was "amused." Now, the accident has led some commentators to wonder whether there might have been more to it. The New York Times speculated that the Queen was retreating for her own comfort. But a visit to Washington in May when no one pulled out a box under the White House letters, leaving the five-foot, five-inch monarch standing on a spot. And in 1982, while visiting America, the Queen Jack was downspoke down. But the Queen got her own back in San Francisco by flying the Star and Stripes up the side when President Ronald Reagan later visited her aboard the royal yacht Britannia.



Bush with Queen Elizabeth II who was "not amused"

Reach for the tops

The successful outing tactics of the militant homosexual group Queer Nation, which publicizes the alleged homosexuality of the rich and famous, have inspired a new group: the Bold Urban Lesbian Brigade, or BULB. Saying that it wants "to wrest the trophies from the throne domes of America's celebrities," the New York City-based group is circulating posters with pictures of actors who wear hairpins, including Larry Hagman and Ted Danson. BULB also wants the word "bald" shored from popular usage. The suggested alternative: "follicle-lousy challenged."

Snack time

Organizers of last week's G-7 economic summit in London wanted the concept of free lunches to new heights—especially for the 4,000 journalists who attended the three-day conference. The media headquarters at the sweltering Queen Elizabeth II Conference Centre offered reporters there from midday to 5 p.m. as well as lunch. And the hordes packed in. First Lunch, a British catering firm, originally prepared half a ton of roast beef, 525 lb. of beef ribs, 84 Scottish salmon, 270 lb. of smoked salmon, 40 pilchard each of octopus and belly squid, 1,700 chickens, 12,800 eggs, 2,400 parts of shrimps, 454 items of crabs, 600 lobster heads and 7,000 ribs, mussels, potatoes and dumplings, all of which the journalists consumed in only a day and a half. Said catering manager Patrick Barbour: "We literally had to double the quantities in an original shopping list."

Reporter of lunch: 'Venit'

British taxpayers will be about \$36 million poorer because of the banquet, but it was opening champagne, caviar and the food and drink. Anthony Wilson Smith, who covered the event for Maclean's, described the spread as "incredibly brock." But the hearty seemed to impress the Soviet journalists most of all. Exclaimed one reporter from the official Soviet news agency Tass: "This is more food than all of Moscow sees in a year."

LIFE AFTER FREE TRADE

Ottawa's cross-border shoppers now have a monthly newspaper geared to their bargain-hunting interests. Said Walter Hough, editor of the Border Examiner, based in the Barrie, P.E.T., suburb of North Simcoe: "Let's face it, Canadians come down here in droves. It's about time they had a publication that served their needs." Distributed mainly in southern Ontario, the 25,000-circulation newspaper costs \$1 and features articles on cross-border shopping and ads from New York state merchants. But, on it happens, the Border Examiner is printed in St. Catharines, Ont., also known as Magill, who got transferred from both Canadian and American printers: "Some things are cheaper in Canada."

EYES ON THE PRIZE

His status as the hottest political actor in Hollywood is apparently not acknowledged enough for Arnold Schwarzenegger. Friends say that the muscular role player, who commanded a salary of \$17 million to star in the summer blockbuster Terminator 2: Judgment Day, wants to follow in Ronald Reagan's footsteps—and run for political office. And they

add that the actor, a politically active Republican, has at his sights an upcoming lieutenant governor of California. The past would leave vacant no state. President George Bush, who said that the actor, in his running mate for current California Gov. Pete Wilson, California one of the state's voters from California that will be open in 1992, is another option. Said one acquaintance: "He is talking people that he is a political candidate." His move, he wants more and more credentials.



Schwarzenegger: "I'm a politician"

The heads of over 70 of Canada's chemical manufacturers have formally pledged their companies to Responsible Care®.



Footnote 1: The New York City Department of Health and Mental Hygiene, "New York City Department of Health and Mental Hygiene, 2010-2011 Annual Report," <http://www.doh.state.ny.us/annualreport>, accessed 10/10/11.

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COLUMN



The summit as a dangerous farce

BY BARBARA AMIEL

She stole the show—Mila Mulvaney was the clotheshorse of the summer. "The Mila style show," proclaimed the upmarket *Island Daily Mail* (circulation 1,702,122) "It would have been nice to hear that the clothes she was wearing were Canadian—perhaps they were, but I could never get anyone at the Canadian High Commission press office on the telephone to comment."

Apart from Mibi's star turn, British Prime Minister John Major's G-7 summit last week turned out to be a pulled-out chairside of sound and fury signifying nothing. Once, one might have excused the whole exercise by saying that bringing together a few leading politicians doesn't do much harm—may even do some good—and gives a lot of journalists a chance to go overseas. But with our cars and minds already lined up with foolishness about a new world order, this summit reaffirms that

When Meyer and Soviet leader Mikhail Gorbachev appeared on television at the summit's close, both appeared to be growing black moorishens on their ears. One felt that the summit disease was now steadily manifesting itself in supporting heels. It turns out that the moorishens were not carbuncles, but some very

modernistic translation device. But what were the words being translated? Meyer talked about the beginning of "disfigure" and kept looking weirdly and moodily at Gorbachov, while Gorbachov replied selfrighteously about the obstructions of OMTT and the two

That was all followed by an interview with U.S. President George Bush, who wasn't wearing a mushroom hat, sounded as if he had some

rather a lot of the sort growing in Mexico. "Would you have ever believed," he said in overblown style to no one in particular, "that the Berlin Wall would be down, Eastern Europe would be free and . . ." So on and so forth. Where, one wonders, has this man been?

The trouble is, I think, that parents create a state of altered consciousness in children.

With our ears and minds already filled up with foolishness about a new world order, this summit muddles thinking even more

isolated from the world by their private secretaries and retinues of policy consultants, our leaders travel almost in a hermetically sealed little world of hotels, high hopes and television cameras. I believe that one day we may find that unlike white bread, refined white sugar and saccharine, what is really dangerous to human health and sanity is the portable television camera with its lights and stereo microphones. This creates a sense of importance out of all proportion to the event.

The truth is that the two problems that dominated the G-7 summit, the prospect of nuclear arms in Iraq and Gorbachev's beguiling-but-sovereign, are very simply dealt with when analyzed in terms of the ideals that the United Nations and the Western G-7 countries possess. But no one dared to say that because it would have undercut the need for self-important attempts and debate.

Saddam Hussein is a run-of-the-mill tyrant and his Baathist party operates a totalitarian regime. Though some tyrants tend to become only their own people, quite often they share with themselves the notion that it is not a good thing to coexist peacefully with neighbors if those neighbors are not part of the same ideological entity. This is an entirely different

way of looking at world affairs than ours. We consider peaceful coexistence a part of evolution.

Forced to see this attitude the West can try to so-called "civilize" nations around Iraq. The West will never prevent it from obtaining the nuclear bomb. The Arab world can not share the Western values, but it has never been short of scientific talent. The only hope we have is to rely on technological superiority, instead of such stupid regimes as Syria, Iraq and Iran, and pray that by the time they catch up with us in sophisticated weaponry, they might also have caught up to us in the development of political institutions and civilized behavior. Instead of those restraining on us, however, the constant quest which Iraq has made for the water on which basis rapid development factors in Turkey, colonization of Iraq and ways to disarm neighbors' nuclear.

As for Gorbachev, one could only stand by speechless at his audacity. This man, who has promised to go to the grave a communist, dared to speak of Western obstructionism in developing a healthy Soviet economy? Mind you, he is aided by the media. I watched a BBC reporter question British Foreign Secretary Douglas Hurd and worry about whether asking Gorbachev to privatise state-owned factories and open up free markets and a proper stock market would bring "an ideological."

The *Washington Journal*, as usual, expressed the problem best when it referred to the deflection Russian writer Tatyana Tolstaya makes between ideological commitments and merely corrupt ones. Ideological commitments want to return to totalitarianism. Corrupt ones simply want to maintain control as the perks of the system. All those brainy Soviet communist ideologists with names like Ritsapov, Ritsapov Communist and Communists for Democracy are not as interested in reform as they would like us to believe. They are competing factions, squabbling over the spoils.

"Soviet businessmen," and *The Wall Street Journal* in an editorial, "know that they survive at the whim of local party officials. Their businesses can be shut down at a moment's notice. Property can be seized. There are no incentives to invest." The private sector, they say, is not open to the private sector, without any way to enforce contracts or protect against racketeers." In a word, Gorbachev has created a natural-selection, from the big boys of a totalitarian state to the little fish. He maintains that the private sector is the only way to survive. Stalin, Khrushchev and Brezhnev Gorbachev, after all, is the elected leader of a state that attacked by force the Baltic states—an act we have never diplomatically recognized—and a man who continues to operate the Soviet economy as a private club new law for the benefit of his party. To have been blackballed on the private sector, it doesn't help him to say long-term as inevitable.

The solution to his country's economic chaos is straightforward: Soviet society and its economy must live under the rule of law and legalize private property. But no one dared call Gorbachev by his true name, *czepa di kichn*, and reveal the warrant for the opera buffa of reality was.

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A WINNING WAY

RITA JOHNSTON
WINS HER PARTY'S
SUPPORT, BUT
CAN SHE WIN
AN ELECTION?

A rough line of Rita Johnston supporters—waving signs and chanting "R-E-T-A, R-E-T-A, at the way"—rode up next to the car and down the adjacent one at the Vancouver Trade and Convention Centre. What seemed like an anxious task, however, was really an attempt to coordinate more than 500 supporters for a dramatic entrance into the centre's spacious Rabbit Hall B, where 1,946 delegates had just cast their first ballots to elect the new leader of British Columbia's governing Social Credit party. Then, as the Johnston supporters crowded off the candidate, they met hundreds of supporters of candidate Grace McCarthy, known even to her rivals as "Amazing Grace." Minutes later, when the first ballots were tallied, the two candidates were as close as two competing candidates had been outside the hall. McCarthy led Johnston by just seven votes—629 to 632. For McCarthy, it was as close as she would get to victory. The seat and final ballot gave Johnston 941 votes, McCarthy 881. With that, the woman who had become Canada's first female premier almost by accident, when the Social Credit caucus chose her to replace William Vander Zee on April 3, could now share the support of her party as a whole. And Johnston wanted no time in appealing for unity from the cheering delegates. Declared the winner after her victory: "We all join in celebrating our cause, our philosophy, our great Social Credit party."

Johnston's appeal went to the very heart of the challenge she faces as she tries to consolidate her status by becoming the country's first



Supporters greet Johnston (right); no snow hospitality issues and racism ensue

elect woman premier in the provincial election that must be called in British Columbia this year. Despite the traditional call for—and slow off—party unity at the weekend leadership convention, the close outcome of the balloting infected Social Credit's lagging schismology under Vander Zee, who was forced to renege over conflicts of interest. McCarthy broke speedily with her by resigning from his cabinet in 1988 (page 14). Johnston, however, was a staunch Vander Zee loyalist (page 15). Said Glen Clark, Socialist critic for the opposition New Democratic Party and a keenly interested observer at the Social convention: "From our point of view, this is a perfect

scenario. The Social party is split very clearly right down the middle."

It was a remark that all five leadership candidates heeded, from the outset of the campaign, and that they wished to avoid. For three of them—former cabinet ministers Melville Cosentino and Norman Jacobson and backbencher Duane Coad—this race ended when their total combined vote count did not exceed Johnston's on the first ballot, under party rules, they were dropped from the second ballot. For his part, Cosentino—whose Johnston had fired as finance minister over a breach of confidentiality on May 7—may have played the role of queenmaker when he joined Johnston minutes

after he was dropped from the race.

The balloting at week's end finally brought to life what until then had been a fairly unimportant leadership campaign. Barely a week after Social Credit's low standing in opinion polls, all five candidates made a determined, for the most part, successful effort to avoid publicly among one another's—and the party's—dirty laundry. There were a few flashes of fire. McCarthy and Cosentino briefly attacked Johnston during the campaign for traveling as a private jet supplied free by the president of an

to outfit one another in attracting delegates with beads, soccer and handouts. Three candidates, including McCarthy and the eventual winner, Vander Zee, spent close to \$1 million in their quests for the lions' ring.

In the latest campaign, the party chose a less visible effort at the downtown Vancouver Trade and Convention Centre. And none of the campaign attacked its opponents at more than \$200,000. Gone were the candidate's hospital-ity trip, raccoon-skin hoodies (as instead, all five parties found a reception for delegates at the centre's ultramodern Exhibition Hall A. The B.C. race was free, beer was \$2.95 a can. Scott Morrison, B.C.'s conservative centre's vice-president of marketing: "First Second B.C. president" W. A. C. Bennett must be sitting in his grave. They were being very frugal."

But that the relaxed circumstances of the convention reflected the fortunes of a party with much to be modest about. Throughout the last two years of Vander Zee's fractious and scandal-ridden time in office, the Socials ended the New Democratic Party by an average of 15 percentage points in popular opinion polls. An Angus Reid Group poll published on June 22, which gave the New Democrats a lead of 28 per cent to 23 per cent over the Socials, indicated that the gap had not closed. Indeed, Glen Clark of British Columbia's political scientist Paul Tremblay, for one, said that he doubts that the Social Credit party can envision the rise before the next provincial election, which has to be called by Dec. 5. Added Tremblay: "Academics and political observers in this province are so used to mistaken predictions of NDP victories over the past two decades that our Premier's response now is that it can't happen. But every sign indicates that it is going to happen due time." Declared Tremblay: "If the Socials win, it would be a miracle."

The opposition NDP is clearly determined to keep the Socials—cast as anti-Michael Harkinians—the party's leader since 1987, has devoted himself to creating the party's image from one positioned on the radical left to a place closer to the moderate centre (page 16). "With our time of candidates, including small businesses, entrepreneurs and one chamber of commerce president," and Maclean, "we are now our core message. We are now the majority party in British Columbia." And with candidates already nominated 74 of the province's 75 ridings and an election campaign team in place, the 68-year-old Harkin said that he is eager for the election. "We have been ready for a year and a half," he declared.

As formidable a challenge as the revitalized NDP poses, the premier now has to deal with the deep internal division in the party left behind by the departed Vander Zee. Despite his impo-



National Notes

GOING HOME

The United States withdrew its last 15 military personnel from the Canadian Forces base at Goose Bay, Labrador, ending an American presence that dated from 1912. Defence Minister Michael Meenan said that of Britain, Germany and the Netherlands, which use the Labrador base for air force training, proved with plans to withdraw as well by 1996. Ottawa might then close the facility, which cost only \$100 million a year into the local economy.

CANCER STRIKES A SENATOR

The Reform party confirmed that Canada's only elected senator, Steven Wilentz, 73, is receiving radiation treatment for a carcinoma brain tumor. Wilentz, running as a Reform party candidate, won a unique election conducted by the Alberta government on Oct. 16, 1989, to choose that province's next senator. Eight months later, Prime Minister Brian Mulroney appointed Wilentz to the Senate.

CROSS-BORDER TAXING

Ottawa announced that it will consider lowering taxes levied on imported goods from countries to make Canadian industry more competitive with those in the United States. And at a Toronto meeting of federal, Ontario and municipal officials, Ontario's NDP government announced that a bill to start enforcing provincial sales tax next year—the so-called gun goods purchased by Ontario residents in the United States. The government said that up to \$5 million of the new revenue will go to help pay for programs that encourage consumers to shop in Canada, including low-cost consumer lines.

KEEPING THE PEACE

External Affairs Minister Barbara McDougall announced that Canada will contribute 740 troops—most of them from the Canadian Forces base at Petawawa, Ont.—to a 1,750-member United Nations peacekeeping operation that will oversee a national referendum in the Western Sahara this autumn next year.

A LIFE OF CRIME

British Columbia provincial court Judge Terence Keenan sentenced Ralph Cross, 54, to his second life term in prison for 21 armed robberies committed to Kelowna and the Vancouver area between December and May 1987, when the judge described as "the gradually deepened and worsened" the crimes while on parole from a life sentence that he received in Calgary in 1970 for an earlier armed robbery.

airline based in Yellowknife, N.W.T., while the other candidates paid for their own transportation. For her part, Johnston criticized McCarthy for assuming that the would not run in the next election if she did not win the leadership. And the accused Governor of planning to reject the mutations that produced the March Lake debate by revoking constitutional issues "behind closed doors."

Quads: Those racist stereotypes aside, all of the candidates proudly avoided the Jewish question of the last Social leadership race in 1986. Then, the party chose the Whistler as resort, a humorously appointed playground of the rich and famous, as the setting for its leadership convention, and 22 candidates—including McCarthy and Cosentino—struggled

CANADA'S FIRST WOMAN PREMIER FACES AN EARLY ELECTION CHALLENGE

berry among many voters and some elements of his own party, Brian Mulroney, particularly in small-town British Columbia, remained fiercely loyal to Vander Zalm. And his feelings between pro- and anti-B.C. factions is strong. With an election call most likely after the premiers' conference at Whistler on Aug. 26 and 27, and U.C.'s Thomas, "There will only be time to put a veneer over the divisions."

At the same time, Thomas noted first, casting out of the window the winner will have little time to place a distinctive stamp on the party. Instead, he said, she will have "to campaign on promises, not performance." That outlook is one that Harcourt clearly welcomes. And the vice leader: "The campaign will be to show the voters over the next 45 to 60 days under Vander Zalm, and the desire by British Columbians for honest and open government."

Tainted: But the tainted association with Vander Zalm's government is not the only challenge facing Johnston. Social Credit membership has also fallen drastically. The party—which Johnston first led to power in the province in 1952 as a free-enterprise coalition of liberals and conservatives opposed to socialism—does not release cost figures. But analysis estimates per Social Credit membership in the 30,000 region, a fraction of its peak of nearly 100,000, in the mid-1970s. And party insiders express concern that longtime Socialists discouraged by the party's current state, as well as Vander Zalm's explicit over-look of them, will choose to volunteer their labor in the upcoming campaign—leaving

many essential tasks undone. Said Thomas:

"The disaffected may decide to vote with their belt and with away from it entirely."

And as preoccupied as she will be with her party's internal problems, the newly confirmed



McCarthy: 'Amazing Grace' says farewell

premier will need to persuade voters that she has the ability to address British Columbia's mounting economic and social problems in order to win the general election. In a poll that supporters of McCarry released last week, the provincial economy was the top priority

among the 686 people surveyed. Indeed, the province's top two industries—forestry and mining—have been hammered by the recession. More than 5,000 logging and mining jobs have been lost in the province in the past two years. And last week, the B.C. mining industry reported collective 1990 losses of 195 million—with no return to profitability likely in 1991. The recession's toll on the provincial economy has been compounded by billions of dollars of expenditure from the Pacific Rim, previously from Hong Kong. At the same time,

the forest industry is under siege from environmentalists intent on evaluating pulp-and-paper-mill pollution and preserving old-growth forests. In addition, more than 25 overlapping tax and land claims, encompassing virtually the entire province, remain unresolved—in the growing frustration of an increasingly militant aboriginal population.

Break: Like her Social predecessor, the western voter maintains that these challenges can best be met by an answering free-enterprise government. By contrast, the new's Harcourt emphasizes the need for open and honest government after the Vancouver Zalmers. And in his part, provincial Liberal Leader Gordon Wilson, whose party has not had an M.L.A. elected since 1975, says it is confident that he can convince voters that a complete break from both former government parties is in order. But even so, the Social's post-conversion optimism prevails, the challenges facing the next provincial government—whatever its stripe—will ensure that the workers' leadership role benefits will be short lived.

RAL QUINN is Vancouver

FAREWELL TO A TRADEMARK SMILE

Her trademark smile was rarely more strained than it was on end, when Grace McCarthy tried to capture the top job in the province she had served for 26 years. The only politician still active in the province to have served in the cabinet of British Columbia's first Social Credit premier, W. A. C. Bennett, McCarthy was the doyenne of her party. And her loss to John Johnston in after a six-week 34-day campaign marked the end of an era in B.C. politics. Long before the results were announced, the woman known throughout the province as "Amazing Grace" had made it clear that if she did not win on the weekend, she would not run again.

A conspicuous benevolence—
—the flower shop that she founded at age 17 eventually expanded into a chain of

stores—McCarthy first entered the political arena in 1953, when she was elected to the Vancouver-Park Board. Then, in 1960, premier W. A. C. Bennett convinced her to run provincially. After her election that year as an M.L.A., McCarthy went on to hold a variety of senior cabinet positions, including deputy premier, under three premiers. She became a party legend after ardently convincing the premier to rebuild Social Credit support following the 1972 victory in the 1972 election, which led to a three-year intermission in Social rule. Almost single-handedly, McCarthy secured the party's comeback to 70,000 from 5,000 by 1975, and helped it sweep back into power that year. But when she ran for party leader in 1986, McCarthy's skills were overshadowed by William Vander Zalm's charisma.

McCarthy's entry into the current race took place just five months after she first announced that she would not seek re-election as an M.L.A.—and two months after she declared that she would not run for the leadership. Her resolve on both decisions changed, however,

after a Vancouver Sun poll published on June 22 indicated that, while Social Credit then trailed the N.C. by 19 percentage points, the parties would be virtually tied if McCarthy became Social leader.

But McCarthy brought several weaknesses to her last campaign. For one, she was unable to win over a majority of caucus members. At the same time, Vander Zalm supporters claimed that McCarthy's decision to run was rooted in resentment over her loss to the former premier in the 1986 leadership race. And many in the party—among them Johnston, who remained loyal to Vander Zalm until his last hour as an M.L.A.—attached her comedy for criticizing the former premier while she sat as a backbencher during the past three years. It was a controversial finale for a political figure who W. A. C. Bennett reportedly predicted would some day occupy the top political job in the province.

KE Q

THE TEST TO COME

A PREMIER FIGHTS TO ESCAPE HER PAST

On the April morning when William Vander Zalm finally brought to an end his 44th controversial years as British Columbia's longest-serving premier, his political cover has been laid out to that of Vander Zalm. The number of three children and grandchildren of his first entered politics as a Sharny alderman in the municipal election of 1953—the same election in which

the eyes of the electorate may still prove to be Johnston's biggest challenge in the approaching election campaign. In fact, almost from its beginning, her political cover has been laid out to that of Vander Zalm. The number of three children and grandchildren of his first entered politics as a Sharny alderman in the municipal election of 1953—the same election in which



Johnston: scandals plagued her predecessor's term

Vander Zalm won the majority of the municipality, just southeast of Vancouver. Then, in the 1975 provincial election, Vander Zalm became a Sharny M.L.A. When he stepped down in 1983 after a caucus disagreement, he nominated Johnston as successor here, and she won the subsequent election by a narrow margin. When Vander Zalm returned to run for the Social leadership in 1988, Johnston was one of his most ardent supporters. That loyalty now brought rewards. Under Vander Zalm, Johnston held a variety of cabinet positions, including the portfolios of municipal affairs and transportation and highways. In August, 1990, Vander Zalm also appointed Johnston deputy premier.

But separating herself from Vander Zalm in

the eyes of the electorate may still prove to be Johnston's biggest challenge in the approaching election campaign. In fact, almost from its beginning, her political cover has been laid out to that of Vander Zalm. The number of three children and grandchildren of his first entered politics as a Sharny alderman in the municipal election of 1953—the same election in which

Despite her successes in politics and earlier in business—she is a firm advocate of free enterprise—Johnston's past is still a hot issue. "I am an unaccompanied person," she recently said. "I've had an unaccompanied life." Born Rita Margaret Lechert in Melville, Sask., she married her husband, George, 61, then a well-wrought, just six days after her 16th birthday in 1961. The bride, hair-covered teenager, then went to work in the office of Bill Pearson in the Vancouver suburb of West Vancouver as a stenographer, eventually becoming office manager in 1967. She and her husband opened the Johnston Villa Mobile Home Park in Surrey, which they operated until they sold it in 1981. The couple, who celebrated their 40th wedding anniversary on April 28, now live in a secluded home on land that was once part of their trailer park. They also own residential properties in Victoria and Kelso, Calif., as well as a vacant lot on 108 Mile House, 300 km north of Vancouver.

Order: Johnston says that the bad no addition to be premier until the Social caucus chose her as interim leader. "It was a good opportunity for me to use whatever I was comfortable in that office," she said. "I felt very good about it once I got settled in after a couple of weeks." When other real-estate aspirations have also led to a change in Johnston's public behavior. The first-time, four-year premier was previously re-elected in British Columbia for her forthright comments in one exchange last September, she responded to questions about Vander Zalm's possible involvement in a scandal. "Did someone put you in Where?" she asked.

Since rising to the highest political office in the province, however, she has become more discreet. Her speeches have concentrated on the need for law and order in British Columbia, especially in the area of crime. She has also made a point of distancing herself from her predecessor, while he is judged when the entire electorate of British Columbia decides whether Rita Johnston deserves a lasting place in Canadian history as the country's first elected female, first married—or because only a female.

RAL QUINN is Vancouver



Harcourt: Rae (below) promising a more mature approach in British Columbia

THE CHALLENGE ON THE LEFT

'WE ARE NOT WILD-EYED RADICALS'

While British Columbia's Social Credit party, fresh from its leadership convention, faces its extinction this week in an impossible election campaign—one that is likely to replay the party's time-honored theme of defending free enterprise against the threat of socialism—the leader of that threat, Michael Harcourt, avoids the onslaught with disarming calm. The 43-year-old head of the B.C. New Democratic Party has heard it all before. And he says that he is unimpressed. Harcourt adds that he is convinced that our worst 1972, when the NDP began the only previous attempt to win power in the West Coast since 1952, has largely been better postponed to rid the Social Credit Red-baiting and form a government. For the past two years, the NDP has consistently led the province's popular opinion polls. Since widespread attention was focused on the Social Credit leadership race, a poll of 634 decided voters showed the NDP with 47 per cent support compared with 28 per cent for the Social Credit. "It is clear that British Columbians want a change of government, and it is also clear that the Socials need some time in opposition to sort themselves out."

For Harcourt, the polls make interesting reading, but he insists that they do not generate overconfidence. In fact, he predicts, "We are in for a tough fight." And certainly British Columbia voters have been fickle in their support of his party before: in 1953, barely 39 months after it was first elected, they defeated the province's first non-government. What did it mean? Harcourt has carefully dug to the moderate middle of the political spectrum during his four years in party leadership. Declared the leader, whose speaking schedule is dotted with speeches of compromise, moderation and lucidity: "People know that we are not wild-eyed radicals, that we want business and labor to make intelligent economic decisions and work together to promote wealth."

Still, the party remains vulnerable to criticism from the right. And the election of Premier Bob Rae's new government in Ontario last

September has given the Socials' venerable line of attack a fresh edge. Indeed, as an indication of what could happen after a new victory in British Columbia, the Socials have posted repeatedly to the \$9.5-billion deficit budget that Ontario's new government presented in April. Harcourt dismisses the parallel. "The economics of the two provinces are very different," he asserts. "Ontario has suffered much more than British Columbia during the recession. And we have always said that we will live within the means of the taxpayers of the province and balance the budget in the business cycle." He added: "We don't want more tax increases, we want to spend our revenue differently."

However, Harcourt acknowledges, however, that some elements of his party's platform may attract comparison to new and controversial programs in Ontario. The B.C. NDP's proposed "jobs and psychiatric protection plan," for example, corrects one of its Ontario proposals that, among other initiatives designed to protect workers when companies go bankrupt or close operations, would make directors and officers of such companies personally liable for their former employees' wages—including outstanding holiday and sick leave pay. By contrast, the B.C. party has directed its plan primarily at the province's leading industry, forestry. It would, in fact, restore a policy that existed under previous Social governments that required companies harvesting timber from Crown land to maintain a ratio of processing jobs that reflects the use of their cutting rights. Since the government of then-Premier William Vander Zalm abolished the requirement in 1986, about 5,000 jobs have been lost because of timber mill closures with no reduction in harvesting rights. As well as restoring the requirement, Harcourt's party proposes to appoint a new public official—a "critical industry commissioner"—with a mandate to negotiate alternatives to plant closures, including repayable government loans to sustain mills during downturns.

Other leading members of the new caucus echo Harcourt's moderate message. Max Soltis, the party's public critic, for one, says of the NDP platform: "What we propose is not highly interventionist." Like his leader, Soltis is ready to deflect critical comparisons to Ontario's New Democratic government, which, he says, has suffered from lack of preparation for power. Says Soltis: "The last government did not expect to win the election." By contrast, he says, British Columbia's New Democrats, ahead in the polls for two years, "have had time to think it through, and will take a more mature approach." If Harcourt and the polls are correct, it is an approach that British Columbians may be willing to try.

RAEL QUINN in Vancouver



Don't Kill A Caesar With Ordinary Vodka.



SMIRNOFF

Nothing Else Is Quite Smirnoff.



Kesley and supporters in Ottawa; Inlander (below) after three years, a hearing into allegations against some 'big fish'

One citizen's crusade

How to take top Tories—and Mounties—to court

Ever since November, 1988, he has been a fixture on Parliament Hill as a somewhat hoarse, often stressed and unfrequently quietly provoked against the Tory government. Occasionally armed with a pocket pal—intended to symbolize pocket-sized politics—and bellying his allegations of corruption without losing distance of Prime Minister Brian Mulroney's office, former chief, Guelph, businessman Glen Kesley has been a daily irritant in the Conservative government. But after a surprise legal mulling last week, Kesley's claims came under new scrutiny, transforming the ongoing political joust into a further threat to the credibility of a government that is already vulnerable. After a 17-day period hearing into Kesley's allegations of bribery and kickbacks in the awarding of federal government contracts, Ontario justice of the peace Lynn Godkin authorized him to lay criminal charges in provincial court against 13 prominent Tories and three current or former RCMP officers. "The accused are big fish," declared a jubilant Kesley afterwards, adding "Now all the evidence is going to be made public."

By link, noted The Times charged in Kesley's sweeping indictment with conspiracy to defraud the federal government include

Sports Minister Pierre Côté, Senator Michel Gagné, former federal cabinet minister Roch LaSalle and Montreal lawyer Bernard Roy. Mulroney's principal secretary between 1984 and 1988 and a close friend of the Prime Minister's as well, Kesley accused RCMP Commissioner Norman Inlander of conspiring to hinder or halt his own force's investigations into the alleged money trail.

The accused are scheduled to appear in the Ontario Court of Justice (provincial division) on Sept. 16—coincidentally, the day that Parliament reconvenes. But whatever the outcome in the courts, by rekindling memories of the Conservatives' scandal-struck last term, Kesley's allegations have the potential to cause the beleaguered Mulroney government fresh embarrassment.

Indeed, the scale of the potential damage to the government was quickly underscored on international stock markets. In the first 24

hours after Kesley laid his charges, investors dumped Canadian dollars, sending the value of the currency plunging by three-quarters of a cent to 86.28 cents (U.S.) by week's end, the dollar had slid to 86.20 cents (U.S.), despite intervention by the Bank of Canada, which raised its outstanding lending rate on Thursday, the first increase since March.

The scope of Kesley's charges is wide. He alleges that the Tories he names conspired to defraud the government "by bribery, kickbacks, bribes, deceit, falsehood or other unlawful means" in connection with federal contracts. The allegations are not the first to focus on Tories from Quebec. In 1988, former Tory cabinet minister Suzanne Blais-Gosselin told the RCMP that an expanded party network existed in the province to accept kickbacks from government contractors, but she offered no proof.

Still, the RCMP has investigated Kesley's allegations over several Quebec Tory MPs since 1984, including former MP Michel Gagné, who pleaded guilty to fraud charges in 1988. Indeed, the RCMP also investigated Kesley's complaint—but could not find sufficient evidence to justify laying charges. That appears to be behind Kesley's decision to include senior RCMP officers in the set of his own accusations.

Those accusations arise

from an ambitious construction project that Kesley conceived in the early 1980s. At the time, Kesley was president of Advancing Products House Ltd., a multi-headed graphics and computer equipment company. His plan called for the construction of a \$150-million office building equipped with sophisticated computers and communications systems designed to attract tenants.

In order for the project to be viable, Kesley said, he required the federal government to lease him five per cent of the space. But when he approached then-Public Works Minister Roch LaSalle with the proposal at a breakfast meeting in an Ottawa delicatessen in 1986, Kesley alleged that LaSalle demanded \$5,000 cash and further kickbacks amounting to a five per cent of the \$600 million.

LaSalle, who retired from politics in 1987, has reportedly denied Kesley's allegations. Said LaSalle last week in an interview from his home in Cranston, Que.: "Kesley is trying to accuse people of a system of corruption which the police have already studied and are refused to proceed with."

In order to lay his own charges, Kesley chose an unusual legal path. Invoking a seldom-used section of the Criminal Code, he took his allegations to Quebec, where states accuse someone applications by private individuals who wish to lay criminal charges in closed-door proceedings in which the accused

people were neither present nor represented. Godkin heard evidence from more than 18 witnesses, including five RCMP officers, Blais-Gosselin and Gagné. Kesley's conductors chose some reasonable and probable grounds to believe that a crime had been committed. "The test is less than the burden of proof required at a preliminary hearing," acknowledged Richard Bourde, Kesley's lawyer. "But she was saying that the evidence the board was acceptable."

At the least, Godkin's decision means that Kesley's allegations will now be subject to renewed official examination. But the Quebec businessman's unusual legal tactic and his own economic personality also served to make their immediate political impact. For their part, opposition politicians were divided over whether Cadogan and Inlander should resign, while the accusations against them are under investigation. The federal New Democrats called on both men to step down. But Liberal finance critic Herb Gray said he saw no need for resignations—"yet."

Deputy Prime Minister Don Martin, noting that the case falls under Tories' personal jurisdiction, said that "we had to wait until we would be prepared to make any decisions at this time." The Ontario attorney general could proceed with the charges, stop proceedings or ask for an independent

public review of the case. For his part, Kesley said that he would pursue the case in court with a private lawyer if the Ontario attorney general does not.

Meanwhile, none of the accused Tories called a strategy that Kesley claims that the RCMP would act improperly to protect Quebecers who, indeed, several Quebec Tories have complained that the RCMP has used unparliamentary and investigating allegations against them. And last month, a special judicial inquiry found that the force operated flawed judgment in the course of an investigation of Gagné, who had complained that the RCMP had tried to extort him into converting a cruise. Gagné said last week that he finds it "a serious trust of the allegations to be a co-defendant with the RCMP, which has pursued me so vigorously for so long."

But Kesley maintained that the alleged conspiracy to protect the Tory network of kickbacks and bribes is widespread. In a news conference called two days after his courtroom victory, he made extensive and unembellished accusations against numerous Tories, provincial officials and intermediaries, listing them among other things to "16 suspicious deaths" and secret bank accounts in Liechtenstein.

Still, Kesley has already scored a victory of sorts against the government. For three years, his cries of "bribe" and warnings to "watch your wallets, the French are at it in the building" made him a persistent—but largely ineffective—critic. But with his legal stroke last week, few Tories were laughing. Said Mulroney on Prime Minister's Day at the Château de la Trinité, that would be "very damaging." For the moment at least, Kesley's minister was something more than a political pest.

BRUCE WALLACE and
GLEN ALLEN in Ottawa

THE POWER OF A JP

When Ontario justice of the peace Lynn Godkin approved the laying of charges last week against 13 prominent Conservatives

she chose current and former senior police officers, her action brought a new dimension to a 2½-year-old case of alleged corruption. The power that the provincially appointed court officials wield, which differs from province to province, can be considerably broader than their more familiar functions of performing marriages or laying traffic fines. In Ontario, 560 JPs—many of whom are full-time officials, who perform many duties and work at other jobs—hold hearings on matters involving personal status and have the power to fine and jail offenders, set bail conditions and issue search warrants. And, as in the Glen Kesley case, they can decide whether

charges sworn by individuals, or police, may proceed to trial. Indeed, the Kesley case has a well-known precedent: a JP approved charges passed by a grand jury against Ernest Zandil, an Ontario graphic artist who claimed that the Mulroney was a book rigger, at Zandil's 1985 conviction for promoting fraud. That conviction is now under appeal.

Across the country, many of the justice corridors widely varying powers. For example, New Scotia's 356 JPs, all of whom are part-time appointees, are limited to receiving sworn charges for the future arrest of magistrates or judges. But JPs are authorized by a province's attorney general and appointed by cabinet. In Ontario, according to Senator Judge Gerald Laskin, who is also supervisor of the province's JP system, "formal criteria" for the office, but each JP must be accepted and certified by a judge before taking office—and then receive training afterwards. They are chosen from a variety of occupations related to the judicial system—social workers and civilian officials in police

departments are commonly appointed, lawyers less often—and they earn up to \$56,000 a year.

Kesley heard his former court administrator who appointed justice of the peace by the Ontario cabinet in 1988. Last year, she became senior regional JP for eastern Ontario—one of eight judicial regions in the province—without responsibility not only for hearing cases, but also for training other JPs. She has also acted high-ranking on Ontario's legal community for her knowledge of the law. "I have always been most impressed by her," said Robert Bourdeau, eastern Ontario court director of courts administration. Indeed, it was Godkin's reputation, as well as the justice system's, that gave some weight to the charges that Glen Kesley laid against her three years ago without sufficient Canadian—and may have taken them a long step closer to receiving a full judicial hearing.

GLEN ALLEN in Ottawa

JAMES BAKER GOES CALLING

I was James Baker's fifth peace mission to the Middle East since the end of the Persian Gulf War last February, and at last there was a glimmer of hope that his efforts might bear fruit. After three hours of talks with Syrian President Hafez al-Assad in Damascus last Thursday, the U.S. secretary of state declared that Assad had taken "an encouragingly positive step" toward peace with Israel. The Syrian ambassador did seem to have modified his traditional rejectionist policy by accepting U.S. compromise proposals for the convening of a regional Arab-Israeli peace conference. Later, in Cairo, Baker received similar assurances of support from Lebanese President Emissary Elias Hrawi. Those developments clearly put the lie to the diplomatic defense. Some analysts speculated that Israel's leaders might withdraw their earlier rejection of the U.S. proposal now that the Syrians and Lebanese had accepted them. But in Baker's second hour of talks with Assad, the signs were not good. Said Israeli Defense Minister Moshe Arens in a newspaper interview: "I don't think Baker will leave here with an agreement."

Indeed, throughout the week, the Israelis continued expressing the West Bank settlements at Baker had recently characterized as the biggest single obstacle to peace in the region. At one location just outside Jerusalem, 36 university student volunteers from North America—out of the 1,000—were housed in a MIG COM 74 desert tent. It is widely held housing for recent Jewish arrivals from the Soviet Union. "It is unfortunate that some people have problems with what we are doing," said 19-year-old Maimonides Joshua Joseph, a student of diplomatic history at Pennsylvania State University. "But we just came to build houses for Russian immigrants, not to make a political statement."

Earlier in the week, the Group of Seven leading industrial countries, meeting in London, supported Washington's position on the settlement question (page 34). In a policy statement, the seven leaders, including Prime Minister Brian Mulroney, called on Israel's hard-line Prime Minister Yitzhak Shamir to stop construction of the settlements. At the same time, the G-7 leaders called on the Arab

SOME ARAB STATES ACCEPT A U.S. PROPOSAL FOR A PEACE CONFERENCE WITH ISRAEL

states to lift their economic boycott campaign against Israel. In Alexandria, Egyptian President Hosni Mubarak, the leader of the only Arab state to sign a peace treaty with Israel, and that such reciprocal steps would help the U.S. find a way to peace in the Middle East. Both sides swiftly rejected the call. But it was clear that by advancing peace talks, the Syrians had gained a diplomatic advantage. After an week of deliberation, Syria's Assad, who had previously insisted on full participation in the conference, agreed that the United Nations should only send a silent observer, someone who would not be allowed to make a speech or otherwise participate directly. Assad also agreed that after a ceremonial opening, leading to direct talks between Israel and its Arab neighbors, the conference would resume only if all parties agreed.

Those concessions were designed to meet Israel's objections to a UN peace conference and to a conference that could be reconvened at any point, thereby interfering with the direct negotiations with its neighbors that Jerusalem is still open. But Israeli officials continued to insist, up to late last week, that any UN role at all was unacceptable in view of the world's widely held hostility toward the Jewish state. They also stood by their position that the conference, to be held either just U.S.-Soviet talks, should be a one-day occasional affair that would then break up into separate face-to-face talks and not be reconvened.

And other obstacles loomed ahead. Late last week, Shamir reiterated his opposition to the inclusion at the conference table of Palestinian



from East Jerusalem. "We will not negotiate about Jerusalem and therefore we will not talk with any Arab living in East Jerusalem," Shamir told reporters after a speech to his supporters last weekend. Shamir's adamant refusal to alter the future of divided Jerusalem was discussed at all times counter to the agreement between Assad and Baker, which calls for the peace negotiations to be based on UN resolutions.



Settlement under construction in the West Bank; Baker (below): obstacles

that came in on Israel's withdrawal from Arab lands captured in 1967.

But despite the tough talk from Israel, some Middle East experts in Washington were cautiously optimistic about the outcome of the Baker mission. "It is going to be difficult for Shamir to hold out," said William Quandt, a senior fellow at the nonpartisan Brookings Institution. Quandt added that President Bush "has some persuasive means to get him to come. He could simply convene a conference and say, 'I dare you not to come.'"

For one thing, Israel surely needs American financial aid in dealing with its growing economic problems. About 300,000 Israeli immigrants have arrived in Israel in the past 18 months, with another 70,000 expected by the end of the year. And in September, the U.S. Congress is expected to consider an Israeli request for an unprecedented \$1.1 billion in loan guarantees to provide housing and jobs for the newcomers. Israel currently receives a maximum of \$3.5 billion in annual aid from Washington. Plainly, Shamir is concerned that Bush and Baker might make continued American financial assistance conditional on Israeli willingness to attend a peace conference. On the other hand, many analysis speculate that Bush, who leads re-election in November, 1992, will not risk alienating American Jews before then.

Meanwhile, Israel's ultra-nationalist housing minister, Ariel Sharon, was announcing the construction of accommodations for 30,000

new settlers in the West Bank and Golan Strip, increasing the Jewish population there by 50 per cent. Most of the laborers on the building site are Palestinians who can find no other work. But in some locations, they are being used by the young Jewish volunteers from overseas. That was the situation last week at Ma'aleh Adumim, an expanding settlement in the Jewish desert south of Jerusalem east of Jerusalem, where Joshua Joseph and his fellow volunteers were working. "As a Jew, I feel a special bond with Israel," said Mark Garabick, a 28-year-old McGill University architecture major. "The arrival of all the new immigrants is incredibly exciting, incredibly inspiring."

Clearly, Garabick and the other student volunteers do not consider the Israeli settlement policy to be an obstacle to peace. But seven members of their appeal group apparently took a different position. They left when they learned that their work would be carried out beyond the so-called green line—the 1967 border between Israel and what was then the Jordanian-ruled West Bank. Said one of these volunteers who dropped out of the scheme, 37-year-old law student Peter Lee from California: "It didn't want to be part of anything that might go against the peace process."

JOHN BIERMAN with
JOE MILLER in Jerusalem and
MARC McDONALD in Washington

World Notes

A BALKAN BREAKTHROUGH

Yugoslavia's collective presidency ordered federal army troops to withdraw from Slovenia, where more than 50 people were killed in a military crackdown after the republic's Jan. 25 independence declaration. Western diplomats said that the decision appeared to signal the federal government's willingness to allow Slovenia to secede. But leaders of Croatia, which has also declared independence, expressed fears that the withdrawal would free the Serbian-dominated military to attack Croatia.

BATTLES IN IRAQ

Kurdish clashes with Iraqi troops in the northern Iraqi towns of Irbil and Sulaymaniyah, causing hundreds of casualties. Pentagon officials said that the battles occurred outside the safety zones that armed soldiers could stay for 50,000 Kurds after their failed revolt against Iraq President Saddam Hussein. The fighting erupted shortly after the last allied troops evacuated Iraq's withdrawal on July 15 to southern Turkey.

RECONCILING CLARK

After 14 months of halting negotiations with the Philippines, the United States announced that it will abandon its giant Clark Air Base and other facilities on the Pacific island nation by September, 1992. The decision was based in part on the eruption of the Mount Pinatubo volcano, which has dumped tons of ash onto the airbase during the past month. Under a new treaty, which requires ratification by the Philippines Senate, the United States wants to remove its base of Subic Bay Naval Station for at least a decade.

TRADING SIDES

The South African government acknowledged for the first time that police charged Israeli Jews in the Johannesburg suburb of Pretoria. The police arrested the African National Congress, but said that the money was earmarked only to help the group hold two anti-apartheid rallies. The ANC has frequently accused the government of selling bullets and of financing battles between the two groups.

A TOXIC SPILL

A freight train derailed in northern California, spilling about 16,000 gallons of weed killer into the Sacramento River. Officials said that toxic chemical killed thousands of fish before forcing into Lake Shasta, the state's largest reservoir. But officials said that the deep lake would itself dilute the chemical enough so that it would not threaten water supplies.

BEYOND THE SUMMIT

THE GROUP OF
SEVEN INVITES
THE SOVIET UNION
TO ENTER THE
GLOBAL ECONOMY

Inside the heavily guarded confines of London's 165-year-old Lancaster House, the seven men got inside their public air of cordial hospitality and treated one another as old and familiar acquaintances. During three days of meetings last week, the leaders of the world's seven largest industrialized countries addressed each other by their first names, slipped handwritten notes back and forth, argued angrily on occasion and sometimes changed the table vigorously to demonstrate their approval of various remarks. But on the last afternoon of these meetings, the shogrother, said one observer in the room, became "electric" with the arrival of a special guest: Soviet President Mikhail Gorbachev. (Declared British Prime Minister John Major, the chairman of the Group of Seven G-7) economic summit, as he formally introduced Gorbachev to the other leaders. "Gorbachev, this is an historic day." Responded Gorbachev: "I am very glad to be here." And following his unprecedented address to the summit leaders, he declared: "This is a new seven-plus-one [meeting]. The ice has broken, and the co-breaker is on its way towards renewal."

More than anything else in his six years as Soviet leader, Gorbachev's words and Gorbachev's presence at the meeting signaled that the Cold War between his country and the West has been laid to rest. In the 2½ days before Gorbachev's arrival, the seven leaders, as well as two representatives of the European Community, Jacques Delors and Hans E. G. K. Lubbers, reached a series of economic and political goals for themselves that are among the most ambitious in the 17-year history of such gatherings. They include steps to substantially strengthen the authority of the United Nations, a call to tighten controls over world arms sales, a com-



mitment for leaders to take a personal role in reviving stalled trade talks under the General Agreement on Tariffs and Trade, and an agreement for Canada on control of maritime resources (page 28). As well, President George Bush and Gorbachev announced agreement on a strategic nuclear arms reduction treaty and said that they will formally sign the treaty during a superpower summit in Moscow on July 30 and 31. Declared the Soviet president: "We have moved further away from nuclear war. It is our common victory." The announcement drew applause.

Focus: But the real focus of attention outside the sumptuous Lancaster House centered on an announcement by the leaders of the United States, Canada, Britain, France, Germany, Italy and Japan, of a stepped recovery program

leaders critics were to symbolize that in substance. The aid plan seriously lacked any offer of financial assistance—despite intense behind-the-scenes lobbying by the Soviets, who warned that their country is on the brink of economic collapse. With many countries' goods now available, some experts estimate that inflation in the Soviet Union is running at more than 100 per cent annually. But economists say that the problem is unable to be improved until the ruble is made fully convertible to Western currency—a process that the Soviets say would require an additional cash reserve, or stabilization fund, equal to about \$15 billion to bolster the currency on international money markets. The G-7 leaders made clear before the meeting that they would reject any such appeal. As well, several leaders, including Mul-

through the European Bank for Reconstruction and Development (EBRD), which is funded in large part by the G-7 members. But Gorbachev gave a similar answer with the acceptance of a Canadian proposal that will see the host chairman of each year's G-7 summit meet with the Soviet leader to discuss economic issues on a regular basis. Some participants, including Japanese Prime Minister Toshiki Kaifu, initially opposed the proposal, saying that it would link the Soviet Union too closely with the group. But Mulroney and other leaders argued that it will allow group members to coordinate more closely the success of Soviet reform efforts. The other five proposals include:

- A special association with the IMF and the World Bank, giving the Soviets access to expert advice on economic reforms, including



The Mulroneys at Buckingham Palace; (above, clockwise from back row left) Delors, Andreotti, Mulroney, Kohl, Lubbers, Kohl, Mitterrand, Major, Gorbachev and Bush; setting the most ambitious political and economic goals in G-7 history

for the Soviet Union's beleaguered economy (page 26). The agreement, which marks the first such joint action by the group, includes an offer to Moscow of a "special relationship" with the International Monetary Fund (IMF), technical assistance in various fields, heightened ties between individual G-7 government ministers and their Soviet counterparts, and annual meetings between the G-7 chairmen and the Soviet leadership to discuss reform. Said Prime Minister Brian Mulroney: "We are saying that we believe in Mr. Gorbachev's commitment to reform, and we want those reforms to succeed."

Still, as Gorbachev's occasionally glum manner at a post-summit news conference appeared to indicate, the support offered by G-7

runes, said that any further assistance to the Soviet Union will depend on Gorbachev's willingness to transform his verbal commitment into reality. Acknowledged Gorbachev after the meeting: "We are going through a difficult time." He added: "We will find our way through this, whether you help us or not."

That belief is clearly not shared by some leaders, who occasionally disagreed sharply as they worked to shape a mutually agreeable proposal for Gorbachev. Although each of the first proposals was vetted by representatives of the leaders in meetings before the summit, two changes were made during summit discussions. In one setback for Gorbachev, the United States and Japan vetoed a proposal to give the Soviet Union greater access to international

market pricing and control of the money supply.

- Intensified joint efforts by the IMF, the World Bank, the EBRD and the Organization for Economic Co-operation and Development to support Soviet efforts for creating a market economy and attracting foreign investment.

- Technical assistance to civilian use, improved food distribution, nuclear safety and transportation.
- Improved Soviet trade links with both the West and former partners in Eastern Europe.

- Encouraging finance ministers and other government officials to meet with their Soviet counterparts.

Nearly all of these proposals carry with them a series of economic sacrifices for the

GORBACHEV RECEIVED A LOT OF ADVICE, BUT LITTLE FINANCIAL AID

Soviets. Despite the insistence that there will be no discussion of financial aid to the Soviets in the near future, senior U.S. officials with several agencies acknowledged that the freeze will be eased if the Soviets take steps to make their currency convertible (see note on p. 51), while the trade value is closer to four cents. As well, U.S. officials insist that the Soviets take substantial steps toward strengthening private enterprise and free prices in a market economy, the Americans will drop their opposition to increasing loan to the Soviets.

For Gorbachev, the G-7's formal support will clearly provide political cover as he struggles to push through reforms that are likely to be unpopular within the Soviet Union. Said a British official in confidence of anonymity: "He can just blame us for the first time someone outside who has been making plans for his own national level." For his part, Gorbachev told senior members that he is prepared to lift price controls on 70 per cent of all consumer items by the end of next year.

Widespread: At the same time, G-7 members said that they told Gorbachev that their experts can substantially improve the Soviet economy simply by changing methods to reduce the enormous waste now prevalent across the country. In one example, a study by the Soviet government two years ago showed that almost a third of fruit and vegetables produced are wasted because of spoilage that occurs due to inefficient transportation and storage methods. For his part, German Chancellor Helmut Kohl said that it is "inordinately important" to give Western support to upgrading safety standards at Soviet nuclear power plants in order to prevent future leakage of a radioactive substance as the Chernobyl plant in Soviet Ukraine in 1986. In fact, on the subject of political dialogue in the future, Kohl was the most enthusiastic proponent of increased aid to the Soviets. Another key ally was French President Francois Mitterrand, who said he is as interested in aid for the arms and a promise of equal consultation for Gorbachev once his reform program is under way.

At the other end of the spectrum was Japan, which opposes almost any increase in aid for the Soviets. Japanese officials insist that any further aid to their country should be tied to Moscow's willingness to contribute to a chain of small islands that the Soviets seized from Japan at the end of the Second World War. In an interview with Maclean's last week, Taro Yamashita, official spokesman for the Japanese Foreign Ministry, said that Japan sees no change in Soviet attitudes towards these islands and to Asia in general, it will not be possible for us to take Soviet promises of reform fully seriously.

In fact, the alliances among leaders often

shifted swiftly, depending upon the approach that each country adopted on different issues. Despite Mitterrand's strong alliance with Bush, Canada broke ranks with the United States on several issues—notably in advocating a larger role for the Soviet in solving the Soviets and insisting on maintaining economic sanctions against South Africa. At the same time, Canadian officials were widely derided by France's



Bush and Gorbachev at summit: a strategic agreement

initial refusal to endorse a plan calling for the G-7 to push for the creation of an international registry of arms transfers. The French, who are major arms exporters, opposed a major role for the G-7, saying that it would undercut the semi-centralized efforts. The proposal was finally accepted in a watered-down form, calling for the creation of such a registry, but without any specific mention of the G-7's playing an institutional role. Officials from several countries also pointed out that the proliferation of the perestroika played a key role in private discussions. Said British Affairs Minister Barbara McDougall: "Personal support is essential."

Britain's Major, in contrast to his predecessor as prime minister, Margaret Thatcher, was widely regarded as flexible and conciliatory in his attitudes, and was prone for his work as chairman Bush, who always spoke from notes,

and Mitterrand were the most formal members, and the only two who did not address other leaders by their first names. Gorbachev and Bush, who now address each other as "Mikhail" and "George," sat side by side during meetings and shared several jokes with each other. And senior Canadian officials said that Mulroney's strong points for making full use of the fact that he is the only leader who is fluently bilingual in English and French. He acted as translator for conversations between Bush and Mitterrand, and held lengthy talks with Italian Prime Minister Giulio Andreotti, who also speaks French.

Several leaders and their delegations sometimes could disagree with their behavior outside the meetings. The most widely discussed figure was Mitterrand, who showed up tardily late for three different sessions. Mitterrand, 75, is renowned for his tardiness, a habit that some American officials maintain is designed to undermine his role as the senior summit leader.

Notes: For their part, the American and Italian delegations also occasionally raised eyebrows. Despite plans from summit organizers that each leader limit his presentation to a maximum of eight minutes in order to maximize talk, the American delegation locked themselves in a room for about 15 minutes and declared themselves to be on strike because they had to work too hard.

Still, such problems quickly faded in the face of the most crucial decisions at the meetings. At the summit last year in Houston, the seven-led powerful multinational nations, their views moved almost as much attention as the local papers—and Mila Mulroney was clearly the first among equals. "Mila Mulroney the yellow dot card," said the Daily Mail headline. "Mila's pocket power," read the Guardian. With front-page photographs in five different newspapers, the British media's adoration of her drama and activities gained a note from the continent to the city.

Mulroney clearly stole the spotlight from British Prime Minister John Major's wife, Emma, who was hosting the summit spouses at her first Group of Seven residence. Officials at Prime Minister Brian Mulroney's office said that they received more than a dozen requests for interviews with



Mulroney and McDougall at meeting in Lancaster House: an 'electric' atmosphere

weekend before the summit in a 23-page letter from Gorbachev, appeared dramatically short in specifics. Gorbachev acknowledged that his country's crisis can be overcome "only if we make a radical shift towards a market economy" from central control. At the same time, he proposed privatization of about 50 per cent of retail outlets and services, "and reform which would include ownership status" and joint exploitation of Soviet energy resources. But the letter contained less details. That lack of precision drew moderate criticism from Western leaders. U.S. Secretary of State James Baker said that he doubted that "you could get in a

market economy by simply providing advice as to a distinguishing command economy."

Because of those attitudes, Gorbachev arrived at his historic Wednesday afternoon meeting surrounded by an air of both anticipation and some skepticism. But after Major's introduction, the Soviet leader made a passionate presentation that one observer told Maclean's was "almost operatic—a virtuoso performance." Speaking largely without notes for 84 minutes, Gorbachev directly contradicted much of the contents of the group. He told them that he remains committed to a massive reduction of the Soviet armed forces and arm-

producing factories. But, he added, he cannot do so unilaterally because "you must understand the social and political problems it causes." Said an observer: "He put it in a way that other politicians can understand."

Change: The G-7 leaders occasionally showed clear sympathy for the challenges that Gorbachev faces. Mulroney told Gorbachev: "The decisions you're making are vital to improve healthy economies and just try to improve them, and you have a disintegrating one which you must build from the ground." And Bush greeted Gorbachev for his "enormous courage in facing ahead" with plans for reform. Still, Bush continued on to say that any future aid would be contingent on the range and scope of reforms. The air of caution led some observers to suggest that the leaders had rebuffed Gorbachev by giving him a few minutes of concessions to take back to Moscow. Such accusations drew scolding from the leaders, including Germany's Kohl, who declared: "Those who felt that we should open a hope of good news have been wrong from the start."

Such a suggestion also struck a sensitive chord in Gorbachev, who reportedly argued that the start of the world summit could be any improvement in the Soviet economy. He and other leaders said that the fact that the meeting took place at all in a pool of high global politics are changing. After the meeting, Gorbachev declared: "We are not even talking about assistance. We are talking about a new quality of co-operation." If that is the case, last week's G-7 summit may ultimately mark both the end of a chilly era of superpowers and the dawn of an era of global political warming.

ANTHONY WILSON-SMITH in London

MILA IN WONDERLAND

They called her the "star of the show" and "the life and soul of the party." In a week since much of the world's attention has been focused on the meeting in London of leaders of the seven-led powerful multinational nations, their views moved almost as much attention as the local papers—and Mila Mulroney was clearly the first among equals. "Mila Mulroney the yellow dot card," said the Daily Mail headline. "Mila's pocket power," read the Guardian. With front-page photographs in five different newspapers, the British media's adoration of her drama and activities gained a note from the continent to the city.

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himself. They declared they covered privately because the couple's presence, Indian leaders are not interested in Canada, said that not just the media but many leading dignitaries with related news coverage, the family's private life. Most of this coverage was devoted to the children that Mulroney wears, which ranged from an eleven-year-old, second-year-old, and with matching shoes to a baby black top and people saw her on a side-length trail with short for a dinner at Buckingham Palace. The spokesman added: "Mila's pocket power," read the Guardian. With front-page photographs in five different newspapers, the British media's adoration of her drama and activities gained a note from the continent to the city.

For his part, Mulroney said that the left-leaning Guardian cited Mulroney's experience shopping with the family's \$1.5-billion redevelopment of the Prime Minister's residence. Because of that, he wrote, Jackie Kennedy Onassis and former Philippine first lady Imelda Marcos "could almost be excused" by Mulroney's "first lady

complex." Several of Britain's most influential reformers news concerning her friendship with Canadian Prime Minister Christopher Mulroney, and the Daily Star described her as "sexy," with "legs right up to her closed earrings."

By contrast, Anne Mulroney has been described as "bustling in her dark suit, The Times of London declared that she was the star of the summit that the Prime Minister is a "wondering guest" because "he changes his shirt as many as five times a day." In fact, and the Daily Star said: "Mila Mulroney is not a fashion model—17-year-old daughter, Caroline, who spent the summer exploring London's design houses shops." That raises the question that the Prime Minister, who picks that he is "most particularly keen on Mila's husband," will soon face a new description: Caroline Mulroney's father.

A 7-5

'PERSONAL CHEMISTRY'

CANADA PLAYS A KEY SUMMIT ROLE

In her nearly seven years as a United Nations member, Barbara McDougall says she has absorbed an important lesson about the meetings she attends. "When there are many people at a meeting, there is a 'millionaire disease,'" declared

for a greater role for the United Nations in global conflict resolution and a tighter rein on international arms sales. At the close of the summit, some progress was evident in those areas.

Members of the Canadian delegation ex-

claimed their services to become "personally involved if necessary" to reach that goal.

Senior Canadian officials also credited Mulroney with playing a key role in setting the tone for Soviet President Mikhail Gorbachev's visit. In his opening remarks to other G-7 leaders, Mulroney suggested that they recall the state of global politics when Gorbachev came to power in 1986, when the Berlin Wall divided Germany, the Korean peninsula separated Eastern Europe and the relationship between Moscow and Washington was based on the strength of their then-growing nuclear arsenals. Declared Mulroney: "If we had known then that we would change all that, we would have been lining up in front of him saying, 'How much assistance [do you need to succeed]?'"

Credit: When Gorbachev appeared in front of the G-7 leaders, a senior Canadian official, who asked that his name not be used, said that Mulroney took a "blunt but sympathetic approach." The Prime Minister cited the difficul-

ties that a number of Canadians as businessmen have experienced in investing in the Soviet Union, including the businessmen brothers of Toronto, who own and operate great Olympia & York Developments Ltd. (page 34). Until Gorbachev dismantles the bureaucratic obstacles such entrepreneurs now face, and Mulroney, "investors will be discouraged, and you will be unable to help yourselves." In a later one-on-one meeting, Mulroney told Gorbachev that Canada would like a freeze it had placed on \$400 million in loan credits to Moscow. Gorbachev had blocked that and after a Soviet military crackdown in the Baltic republics earlier in 1991.

As well, Mulroney offered the Soviets technical assistance, worth an estimated \$10 million, on six projects in agriculture, energy and the environment. Canadian officials argued that the aid, as well as improved ties with such international groups as the G-7, is more important to Gorbachev's reform than an immediate infusion of money. Declared McDougall: "He needs to be a player in world events."

And that, added McDougall, is a conviction that Canadians should also make as they look at their own future. She added: "If we let our country break up, we no longer belong to this very exclusive group. People in Quebec and the rest of Canada should look at this meeting and ask if they really want to leave that place as it." For her, and other members of the Canadian delegation, this is a reminder that a successful role in international relations solving depends on similar successes at home.

As well, Mulroney made a passionate appeal for a solution to the current stalemate over the passive subsidies that some nations offer their farmers. At the close of the G-7 meeting, the leaders said that they were determined to resolve the issue by the end of 1990 and



Mulroney and Gorbachev: taking a 'blunt but sympathetic approach'

praised particular satisfaction with the inclusion of two little-noticed but potentially significant paragraphs in the summit's final consensus declaration. In one, leaders called for measures to protect "living marine resources threatened by overfishing and other harmful practices." Another paragraph called for the development of a "comprehensive approach to the oceans and regional seas." Of the seven summit members, Canada is most affected by overfishing, with foreign trawlers crowding the Canadian coastal waters.

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CADILLAC
STYLE

THE SOVIET PARADOX

GORBACHEV RETURNS TO A CRUMBLING ECONOMY

In the fierce heat of the short Siberian summer, cars, trucks and buses crowded the dusty, tree-lined streets of central Tyumen last week. But the traffic jam took place amid an acute gasoline shortage graphically dramatized the previous workdays of the country's crumbling, centrally planned economy: no empty lot drivers here the idea (influence) or incentive to boost wheat supplies that routinely crop the harvest of Siberia's oldest Russian city. Even more po-

litical, the city is a major oil and gas hub. It is not just the residents of Tyumen who are

drought-stricken grain crop. "When," the newspaper asked, "is the leader out of the hole?" Added Yuri Sholokov, leader of the right-wing Soviet group in the Soviet parliament: "One hopes that the West would invest in our economy were not be killed."

Yanuk in Tyumen, many residents said that only direct foreign investment coupled with greater local autonomy would ensure a more prosperous future. Added economist Sholokov: "It is not just the residents of Tyumen who are

lacking of billions of rubles that is more than half the size of the North American continent Tyumen is at the hub of western Siberia's energy industry, but it does not have the adequate appearance of oil-generating wealth. Instead, it is a place of run-down buildings and chronic shortages where, for the past year, oil-and-gas workers have been threatening to strike for better living conditions. Local government and union leaders say that Moscow treats Siberia like a colony, demanding even higher produc-



Wife worker at a Moscow car factory: shortages, inflation and a flourishing black market

assaulted. I would say that most Soviet citizens are ready for widespread economic reform. But in Moscow, Boris Khodolov, acting chairman of the Russian legislature, mentioned that a massive outflow of Western aid before the Soviet Union establishes the foundations of a free market would vanish like water poured into sand. He added: "Everything would disappear within a week. In the past 17 years, we received about \$250 billion from sales of oil and gas. Where are they? Just try to find them."

That question is increasingly familiar to many of the 25 million Siberians who inhabit a barren

and sprawling few hectares in rubles. Certainly, similar sentiments are now evident across the country as the Soviet Union is readying itself to switch to a market economy, trying to establish a pluralist democracy and facing the dissolution of the world's last colonial empire—all at the same time. Those concerns are reflected in several conspiracy theories: a recent survey by the Moscow-based National Institute for Sociological Studies revealed apprehension about rising crime rates, worry about the increased likelihood of unemployment and a dwindling faith in the Komsomol (Soviet youth league) amidst shortages of

consumer goods, a flourishing black market, growing inflation and corruption. Citizens need more traffic police to government's assistance, the Soviet Union continues to function—after a fashion. Workers show up for their jobs, new-empty state stores remain in operation and places, trains and buses keep approximately to schedule.

But: For many Siberians (Siberians), the troubled transition from a centrally planned economy to a free market has created opportunities as dramatic as any in the northland's colorful and bloodstained history. Since Communist leaders in search of raw, land and timber first extended the city's authority northwest to the late 16th century, Siberia has attracted adventures. It has also served as a pit for enemies of the czar's rulers and political prisoners. Soviet authorities maintained that practice until Gorbachev closed the notorious forced-labor camp for political prisoners shortly after he took office in 1985. Tyumen, where convict-mules once waded in gins, overcrowded forwarding prisons until iron cages arrived to carry them farther out along the Yenisey River, no longer serves as a holding pen. But modern-day adventures are still there. They are the men and women who moved northwest during the past 40 years to develop some of the world's largest supplies of oil, gas, coal and hydroelectric power. In re-



Collective farm near Moscow grim forecasts of a meagre harvest

turn, they usually earned wages at least twice as high as the Soviet average of \$565 per month at the artificially inflated official rate of exchange, but equivalent to only about \$15 in hard currency. But the wage gap has narrowed in recent years.

Meanwhile, waterfowl and mammals extrac-

tion technology and mobility built and maintained by workers have led to increasingly closed offshoots, layoffs and falling wages among energy workers. That in turn has led to a steady decline in the Soviet Union's primary source of hard-currency exports: in 1990, oil production fell to \$70 million tons, a ten-percent drop from 1989. In the Tyumen region alone, oil production fell 30 million tons short of target last year, and the region's 700,000 energy workers have threatened to strike in order to protest the drop in their standard of living. Among their complaints: shortages of food and consumer goods, and broken government promises to build more apartments, schools and hospitals.

Finally, at the heart of the energy workers' dissatisfaction is the fact that Moscow bureaucrats have Siberians and gas officials to sell the bulk of their production at artificially low, state-controlled prices. At the same time, Soviet oil and selling on the world market has led currency. Tyumen-region enterprises earned the equivalent of only \$5 cents per ton against that. Producers would like to see the actual price of bottled natural gas rise. As oil workers strike would further devastate the staggering national economy, which was lost by a two-month-old workers' strike earlier this year. As a result, the Kremlin has granted energy work-

CANADIANS IN HOT PURSUIT

For Gulf Canada Resources Ltd., it is a rare opportunity to earn quick returns from an investment in the Soviet Union. Last week, an Calgary-based company, which is controlled by Toronto-based Brockhouse family, announced plans to invest up to \$250 million in a joint venture to develop two huge oilfields in the region of Komsa, about 1,500 km northwest of Moscow. Gulf Canada will provide a quarter of the money for the project, the same amount in British Columbia's oil and gas industry. The company, which has the remaining 50-percent interest, is active in the investment of Gulf Canada will increase a quarter of the oil extracted from the fields, which it can then sell abroad to the open market. In that, says Gulf Canada president Charles Shultz, the

company is fortunate—many other Western businesses operating in the Soviet Union have managed themselves to earning only modest profits, which cannot be converted into hard currency. Declined Shultz: "As we get away from us, we will share in the revenues right away."

Gulf Canada's oilfields are located in the Soviet Union makes something of a coup among Western investors. Although Soviet President Mikhail Gorbachev and the G-7 leaders agreed last week that foreign capital is needed to avert a Soviet economic collapse, many Western executives say that the risks and uncertainties associated with doing business in that country are actually increasing.

Gorbachev's drive to decentralize economic decision-making has in practice made things worse, many businessmen claim. They point out that Western investors now have to negotiate with individual Soviet firms and local regional officials, as well as with the central finance ministry in Moscow. Gulf Canada, for one, spent two years negotiating with Koms-

ar. Komsar regional authorities and the government of the Russian republic. Said Shultz: "There is no telephone back to tell you the status of the important players."

For the moment, inside industry predicts that Western investors will continue to be weighed towards Soviet-organized structures such as oil and natural gas. Indeed, the Brockhouses themselves appear cautious about proceeding with another major Soviet venture: a \$300-million office and hotel complex in Moscow that the family's Toronto-based real estate development firm, Olympia & York Developments Ltd., first proposed in 1989. That project has been delayed while Olympia & York conducts feasibility studies. The project involves the political and economic climate in the Soviet Union improves some, that project and more others are likely to remain on the drawing board.

JOHN DALY

IT IS UNCLEAR WHETHER GORBACHEV CAN SURVIVE THE CURRENT HARDSHIPS



Moscow shoppers picking over secondhand clothes. 'Everything is in short supply'

en the right to sell privately 99 per cent of what they produce each year. Now, the workers and local authorities can use the money earned through the sale of that all to obtain desperately needed consumer goods.

One of the effects of that first biding stop towards greater local control over regional resources was on display last week at Tyumen's Palace of Culture, the city's community centre. There, in a building that usually is a home for plays and concerts, hundreds of broken cradles, the audience to bid for all those broken, members of the newly formed Tyumen Commodities Exchange, represented towns, regions and enterprises across the country that were prepared to pay a domestic price equivalent to about \$18 per ton to secure guaranteed supplies directly from the all-workers. The most popular step for the exchange, taking directly to foreign customers. Said exchange president Sergei Desnauze: "We have had inquiries from Yugoslavia, Belgium and Hungary, where buyers said on that [hard-currency] asking price of \$180 per ton was too expensive. But I think that is reasonable and that foreign customers will buy at that level."

In a room near the auctioneer, Desnauze described the workings of the commodities exchange. Above him, a sepia-toned portrait of Vladimir Lenin seemed to glare into a dwindling socialist future as Desnauze explained that some of the exchange's 750 sellers had sold as

much as \$50,000 for a seat on the trading floor—a threefold price increase since May. Many of those buyers required large commissions. But some of the traders are private individuals who plan to recoup the price of an exchange seat through the five-per-cent commissions that they receive on each deal.

Bitter Desnauze, a reserved, 46-year-old man in a grey pin-striped suit, embodies some of the contradictions of the changing Soviet society. After lavishly dismissing the Khrushchev's openness of the all-union goods fairs as nothing more than devices to camouflage and control exploitation, he eloquently outlined the need for a market economy, local autonomy and large-scale foreign investment to raise declining oil production. Said Desnauze: "We cannot depend on the government. We have to rely on ourselves to get these things." But in a paradox that he could not explain, the president of an institution that condemns personal profit making acknowledged that he is still a Communist autocrat—indeed, he is the deputy chairman of the regional party executive.

At the commodities market, at least, profit-seeking by traders is openly acknowledged. But across the Soviet Union, opinion polls repeatedly confirm the widespread belief that 74 years of communism have fostered corruption and illegal financial activities. *Komsomolskaya Pravda*, the long-lived movement newspaper of the party's youth wing, focused on that fact

of Soviet life in a recent article. Declared the paper: "The Soviet economy is an enormous black market. Everything is in short supply. However, you can get everything if you find the people who can be bought." The newspaper cited the case of Vladimir Litvinov, a former official who was sentenced to death for corruption in 1984. Litvinov had killed Moscow businessmen, the newspaper stated, not for personal gain, but in order to use the proceeds in state production quotas for cotton. Added *Komsomolskaya Pravda*: "It was not his wrong mind, but his very system, that prompted this pattern of behavior."

Bitter In any event, government statistics show that corruption has become even more widespread since Gorbachev came to power six years ago. According to Soviet estimates, hard currency paid government officials rose from \$50 million last year to \$1 billion this year, in a society where a well-known payoff, ranging from cigarettes to large-scale kickbacks, will instantly produce personally available goods and services. Soviet officials estimate that such illicit earnings reached about \$3 billion last year—a \$300-million rise from 1989. Asked how he could operate during a gasoline shortage, a Tyumen taxi driver broke into a gleeful laughter, getting an old Russian proverb: "It is better to have 100 friends than 100 rubles." At last he added: "With the right kind of friends, everything is available for a price."

Other Soviets have looked into the future and have predicted wide hardship. That pessimistic attitude is reflected in a Moscow poll that found that almost 90 per cent of Soviet citizens said they believed their families would suffer financially in the switch to a market economy. Said Luba Desnauze, a 30-year-old teacher at a Tyumen research institute: "My daughter is in her third year at university, and I keep telling her to stay in school as long as she can because it will be hard for her to find a job." After studies devoted to helping the socialist youth find a better life, Tyumen and millions of other Soviets are now being told—by their own leaders as well as by cautious foreign investors—that their society has spent 74 years on a road to nowhere.

But as the Soviet Union readers stand to transfer much of its state-owned economy into private hands, some of its leaders are openly acknowledging that. Across the Soviet Union, opinion polls repeatedly confirm the widespread belief that 74 years of communism have fostered corruption and illegal financial activities. *Komsomolskaya Pravda*, the long-lived movement newspaper of the party's youth wing, focused on that fact

MALCOLM GRAY in Tyumen

A MAN FOR THE TIMES

ROBERT STRAUSS TAKES ON MOSCOW

He speaks scarcely a word of Russian, but made only one trip to the Soviet Union and admits that he knows little about Soviet affairs. But last week in Washington, the sometimes strong Senate foreign relations committee brushed aside those handicaps as minor considerations in its brief, chilly confirmation hearings for President George Bush's candidate to be his personal go-to-person with Soviet President Mikhail Gorbachev. 73-year-old Washington lawyer and power broker Robert Strauss. An Bush and other leaders of the London economic

club of presidents from both parties ever since he arrived in Washington from Dallas 22 years ago. And he has also made but one of the country's most influential corporate lobbyists, with a client list that includes American Airlines Inc., PepsiCo and defense contractors Northrup Corp. and Westinghouse Electric Corp. In fact, at a time when the Soviet economy is on the brink of collapse, Strauss has made considerable headlines for a 30-page financial disclosure statement, he earned \$5.2 million



Strauss and Bush's close Moscow associate known as 'the Finer'

over the past 12 months from his law firm, Alan, Green, Strauss, Hauer & Field, and another \$2.3 million from a variety of corporate directors and consultants—including the re-emergence, with Treasury Secretary Nicholas Brady, of four race horses.

Taking on the \$133.3-million-a-year ambassadorship will bring him a seven-year package of another \$1.7 million from his law firm. But the most startling disclosure was that, unlike most other lobbyists, he has not by a long way but the deal. Last year, he made \$9.2 million for his firm over a dozen months he worked up the negotiations that enabled Japan's giant Matsushita Electric Industrial Co. Ltd. to take over Hollywood entertainment conglomerate MCA Inc. in a \$7.6-billion merger in which he represented both parties.

Strauss also has diplomatic experience. Un-

der former president Jimmy Carter, whom he helped to win election, he served as the U.S. trade representative and, briefly, a Middle East envoy. And his international clients have included the Chinese and Canadian governments. In January, 1984, then-Canadian ambassador to Washington John Godefrid hired Strauss as the country's \$10,000-a-month lobbyist relationship that officially ended on June 15, 1985.

But it was as a representative of U.S. interests petroleum Ottawa that Strauss became part of one of the most controversial incidents in Canada's cultural history. Less than two months after Strauss stopped working for the federal government, Godefrid wrote a confidential memo to then-Minister of Regional Industrial Expansion Sinclair Strass warning that if Ottawa did not take "a second look" at its automobile bodybuilding policy, which was then holding up the New York City-based Gulf and Western Industries Inc.'s acquisition of Procter-Hill of Canada Ltd., the U.S. legislature would adopt a "sanctioned-trade" policy. Ottawa approved the takeover, the industry said. According to Godefrid's memo, the source of that threat was Strauss, then Gulf and Western's Washington lobbyist.

Condition: Strauss's first visit on to represent around other Canadians in interests in Washington, including the Bank of Nova Scotia and Mellon Bankers. And after the embarrassment caused by media revelations that Godefrid's wife, Sonia, had slipped the embassy's security guard a key to the ambassador's residence during a 1986 official dinner, Strauss co-hosted a dinner for the couple with *Washington Post* publisher Katherine Graham.

That latest revelation will stress Strauss well in Moscow, as will neither of his less publicized gifts his wife's gift to a retired head-of-horse runner. Last week, he told the Senate committee that he had already discovered a major crack in the Soviet Union. And thanks predict that Gorbachev's interpretations would be addressed to those up on the trading-floor members of the world's major news. Bush's new crew of a time when both superpowers have been gambling on the shaky Soviet Union.

MARCI McDONALD in Washington



German-French border crossing at Strasbourg, France: several countries are unwilling to relinquish sovereignty

BUSINESS

ALMOST 'FABULOUS'

Somehow, says Quebec businessman Harold Muller, it is easier to win acceptance abroad than at home. Since it started in 1985, Muller's Brain Technology Corp. of Lachine, Que., has had better sales in Europe than in North America for its main product—a software package that allows users to transfer data between personal computers and central mainframe units. Customers include a major French bank, the German Federal parliament and the Spanish national police force. Brain currently has a British effort, opened in 1988, and one in Paris, opened last month. Next month, it plans

BUT THERE ARE STILL OBSTACLES IN THE WAY OF MAKING EUROPE THE WORLD'S LARGEST FREE TRADE ZONE

to open a third European office in Düsseldorf, Germany. The expansion is aimed partly at being closer to the company's clients, but partly as well at winning the opportunities offered by the European Community's drive to create the world's largest free trade zone by the end of next year—a much-mooted "1992" program. Sen Muller, Brain's vice-president of operations, "We were concerned that if we didn't have a local presence in Europe, we might be left out."

The U.S. ambivalence program to tear down the remaining barriers to trade within its 12 member states by Dec. 31, 1993, has been

more than a public-relations triumph. In Europe, it has dominated business planning and helped to energize the U.S. more scientific economies. It also has lured thousands of foreign companies to Europe—from small players like Bion to giant U.S. firms and Japanese automakers. But 18 months before the deadline for implementing all 362 separate measures as the free trade program, there are truck dealers that point 1992 Europe will be an open to unbridled trade within Europe and with the rest of the world as once promised. Planners envisioning the program have been forced to compromise on some accounts that would have made the movement of people and goods because they have been, especially slowing growth and raising unemployment have fueled protestations calls from several key industries.

Still, the program's promise is stirring its ultimate goal is to create a single, unified market out of 12 diverse nations—Britain, Ireland, France, Belgium, Luxembourg, Germany, the Netherlands, Denmark, Italy, Greece, Spain and Portugal. In theory, that should make it more efficient and more profitable to do business in Europe.

The generally enthusiastic reception for "1992" has inspired even more ambitious plans for closer ties among its countries. They include a new European currency to replace existing national currencies, a "social charter" that would establish workers' rights across the Community, and a still-vague scheme for European "political union." Although each of these proposals is the subject of fierce debate, the 1992 program itself has made impressive strides. In June, EC officials reported that about three-quarters of the program had already been adopted by the 12 member states. They added that the process of creating a single internal market was now "irreversible."

The sticking points that remain, however, include some of the measures that most closely resemble to ordinary people the goal of a barrier-free Europe. Chief among them is the free movement of people across national borders, eliminating the need for passports or immigration checks. That alone certainly will not be a reality by the 1992 deadline. Britain and Denmark both insist on retaining border controls, arguing that an open-border policy would allow drug smugglers and terrorists to move across freely. Other countries have fought such problems with a pan-European police force, but the British object to that on grounds of national sovereignty and civil rights.

Other reservations concern provisions that would allow stockholders to market their services throughout the EC and an agreement on the free movement of live animals across borders. The British, once again, adamantly refuse to allow other countries to ship animals freely across their borders—claiming that such a development would encourage the spread of diseases such as rabies. For member states that need to regulate conservation laws and export duties among the 12 EC countries in order to do away with the need for tax controls at borders. In late June, the European Commission launched out a parallel agreement that fell short of what 1992 planners had sought. Instead of leaving the member states and excise duties, all 12 governments agreed on a common rate for value-added taxes—15 percent. That still allows individual countries to impose higher rates on selected goods.

Although the London agreement amounted to a watered-down version of the original 1992 goal, the accord will result in an economic cut in paperwork for businesses. It will eliminate the need for between 50 and 60 million extra hours of clerical work a year—and allow goods ranging from consumer to computer parts to be tracked across borders without being stopped for inspection. Declared Christian Scrivener, the EC commissioner responsible for tax matters, "Business will be able to export and import with no border formalities—no customs checks, no waiting for customs clearance, no holdups at the frontier."

Those are the types of advantages that have lured foreign companies to establish operations in the European Community. Among the leaders in the movement are the Japanese, who began exporting beyond the EC in the late 1980s. By comparison, Canadian companies, provoked both with the recession and with the fallout from the 1983 Canada-U.S. Free Trade Agreement, have played a relatively minor role. But some large Canadian firms—such as Power Corp., Northern Telecom and Bombardier—have undertaken major expansions in Europe in the past year. Says Brian Peadar, commercial counselor at Canada's mission to the EC in Brussels, "The big Canadian companies are starting to move their main plants to Europe wherever the state of play with the single market—and that means already among their state."

Bombardier, in particular, has moved into Europe in a decisive way. In May, it formed a Belgian holding company, Bombardier Eurofin

GETTING BIGGER

Two New York City-based banks, Chemical Banking Corp. and Manufacturers Hanover Corp., announced plans to merge their units in a \$4-billion merger, forming New America's second-largest bank. The new Chemical Banking Corp. will have assets of about \$155 billion, second only to Citicorp of New York with \$250 billion. Analysis and that the merger is the first of several widely expected in the U.S. banking industry, which has been hurt by defaults on real estate loans.

LABAT KICKS A HEAL

As part of its streamlining strategy, J&J Labat Ltd. sold its French processing division, Rapine, Ore-based. Based in Pittsburgh-based St. J. Heinz Co. for \$274 million. Labat, which is also trying to find buyers for two other food processing divisions, says that it wants to concentrate in its core enterprises of beer, dairy products and restaurants.

THE HUGBOY CRIMINALS

What some analysts called the "idiot's deal," which would have created the world's second-largest oil-producing company, is off. Petro-Canada, chairman of Toronto-based American Barrick Resources Corp., announced that merger talks with Denver-based Newmont Mining Corp. had been halted by mutual consent. The deal would have allowed the two companies to combine their holdings along the fabulously rich Carlin Trend gold belt in northern Nevada. They said that they will now develop the site jointly, but did not provide details.

A SOUTH AFRICAN MOVE

Despite the Canadian government's decision to delay lifting economic sanctions against South Africa, a 10-member business delegation is planning to visit the country in September. James Taylor, president of the Canadian Exporters Association, said that Canadian firms must act fast or they will lose out to U.S. and European firms whose governments have lifted sanctions against South Africa.

800 BLUE SLUMPS BADLY

International Business Machines of Armonk, N.Y., the world's largest computer maker, announced a 90-cent-per-share drop in profits for the second quarter, to \$111 million on revenues of \$116.9 billion. In the same period of 1990, the company earned \$1.52 billion on revenues of \$159 billion. IBM also said that it plans to reduce its worldwide workforce of 373,000 by 17,000. In Canada, the company will lose 600 of its 15,000 positions added.



Cresser fears that Japan will 'devour' Europe

SA, which controls four railway construction firms employing 4,000 people. Compagnie générale connaît the four firms will have combined annual sales of \$600 million. That would make Bombardier Europe's fourth-largest maker of railway equipment.

Bombardier's commitment to Europe was heightened in 1989 when one of its Belgian subsidiaries, Bregone Neville, won a \$400-million contract to build railcars for the Channel Tunnel, which is due to open in June, 1995. The company's job is to construct the custom-designed railcars that will be loaded for their 20-minute journey through the tunnel. Since then, Bombardier has acquired two other Channel Tunnel contracts, worth another \$350 million. Bombardier officials add that they expect to share in the business generated by proposals to expand Europe's high-speed rail network. "We're in this for the long haul," said Jacques Lapal, Bombardier's director of operations in Brussels. "The potential for railway construction is like a shot of selenium."

On a much more modest scale, Liebherr-Rico Technology has its eye on the expanding computer market in Europe. The company, which employs 180 people at its head office in suburban Montreal, opened its first sales office in London in early 1985. Six years later, more than half of its annual sales of \$36 million are in Europe.

Europe's experience, however, illustrates some of the pitfalls of doing business in Europe. Although common European specifications have already been agreed on for types of computer boards and software that Europe producers, local regulators still often interpret the rules differently from one country to another. That, says European vice-president Muelles, can result in a subtle kind of discrimination against companies producing for Europe. "Acceptance could be delayed by a low-level bureaucracy, especially if you're up against local competition," Muelles says. "Everybody says that there won't be protectionism after 1992, but we're not so sure. It's important to establish a credible European presence."

Many non-European businessmen share the concern about possible protectionism in post-1992 Europe. At a recent conference in London, Robert Hermitz, vice-chairman of Goldman Sachs International, a New York City-based investment firm, voiced the widespread fear that "Europe may become so preoccupied with internal integration that it imposes too many restrictions on foreign business or loses interest in strengthening the global trading system."

In fact, several vulnerable European industries are already seeing the first fall of international competition. Hit by a severe slump in sales, European auto-makers have called for 50-60 quotas on Japanese exports for five or six years after 1992. Cu-



Muelles: "It's important to establish a presence."

reently, only four EC countries—Italy, France, Spain and Portugal—restrict Japanese car imports. Some Japanese auto-makers have attempted to avoid the threat of additional quotas and export duties by building assembly plants in Britain, on the assumption that they would then have access across to the entire European market after 1992. But continental car

companies, especially those in Italy, short even in the sale of Japanese automobiles produced in Europe. That has resulted in friction between Britain, which has welcomed Japanese manufacturers, and France and Italy, which accuse Britain of allowing the Japanese to use it as their "Trojan horse" in the fast-rising single-European market.

Europe's electronics industry also is lobbying for stronger government aid to fend off competition from Japan. France has already proposed huge bail-outs for two state-owned electronics and computer firms, Thomson SA and Groupe Bull SA. In Germany, too, the Bundesministerium für Wirtschaft and Technologie is considering aid to its semiconductor branch, and Daimler-Benz AG has asked for \$500 million worth of state aid to finance semiconductor projects. Protectionist sentiments also appear to have influenced government funding for high-tech research

and development. ICI PLC, Britain's largest computer maker, was excluded from three European-funded research programs last year that were taken over by Philips Ltd of Japan. So far, hostility towards foreign firms has been directed mainly at the Japanese. Many European analysts have voiced concern that Japan is poised to launch an economic invasion of the EC. And Japanese fans of possible protectionism were heightened in May when France's new prime minister, Edouard Cresson, took office. Cresson is an outspoken critic of Japan—over describing the Japanese as "ants" just as talking over the Western world. "The Japanese have a strategy of world conquest," Cresson said shortly after taking office. "Now, they are about to conquer Europe."

Most analysts and trade officials maintain that, so far at least, the 1992 program has not taken a protectionist turn. Canada officials in Brussels who are responsible for monitoring the implementation of the single-market plan dismiss ideas of a so-called Japanese Europe after 1992 as alarmist and exaggerated. Some experts, however, caution that such a potential result of the heightened competition brought about by the 1992 program drives the many companies of business. Michael Hodges, an expert on European integration at the London School of Economics, says that the elimination of trade barriers inside Europe will force companies to close down many local factories and discontinue products, and lead to bankruptcies among others that could compete. The resulting increase in unemployment, he says, may lead to a chorus of demands for renewed protection against foreign competitors. "For some Europe is not a really right sell," Hodges adds, "but it is a real possibility of the stereotypes are severe." For the moment, however, the new opportunities appear to outweigh the potential dangers.

ANDREW PHILLIPS in London with PETER LEWIS in Brussels

Bangers and chips

"Harmonizing" Europe is easier said than done

Every year, British consumers go through about \$300 million legs of artificially sweetened and flavored potato chips, including such varieties as onion cocktail, spicy chicken and smoked ham. As a result, many Britons protested vigorously in April when European Community officials said that such chips—called "crisps" in the British call them—were a proposed list of foods that would be permitted to contain artificial sweeteners. British snack makers stated that without the artificial sweeteners, they could not produce flavored chips.

EC government officials complained, pointing out that sweet or spicy chips account for about 15 per cent of the country's potato chip sales. Last month, the EC finally bowed to pressure and reversed its decision. But for many Britons, the dispute represented the latest case in which EC officials have ignored local tastes, cultures or traditions in their efforts to eliminate trade barriers within the EC. In 1986, European Community by Dec 31, 1992. Declared Corde D'Orange, a British member of the European Parliament in Strasbourg, France. The issue they are in a European ivory tower, the officials don't see the hidden implications of what they are doing.

The chip controversy illustrates the formidable task that EC officials face in trying to create the world's largest free-trade zone. To make it easier for suppliers to transport goods and services across national borders, EC officials have asked of the 12 member states to adopt the same technical standards, health-and-safety regulations, customs procedures and professional qualifications. Officials refer to that process as "harmonization," but the results so far have been anything but harmonious.

One recent controversy involved pasta imports. Under Italian law, pasta sold in the country must be made with flour milled from hard durum wheat—the only kind, according to Italian government regulations, that produces noodles with the appropriate firm texture. Most other EC countries have no such restrictions on the type of flour used to make pasta. Under a new EC regulation, manufacturers of pasta in those countries are now free to export their products to Italy, even if they fail

to meet the Italian government's standards.

Spain, too, has taken issue with some EC directives. In 1988, shortly before Spain joined the Community, the Spanish government issued a law requiring of computer keyboards and typewriters sold in that country to be equipped with the table accent, which is the Spanish language and not such the letter "e" (as in the word sector). But in May, the EC ordered Spain to reverse the regulation on the ground that it constituted an unfair trade barrier. That raised a huge swing Spanish writers and



Dinnering pots of beer in a London pub: "The officials don't see the hidden implications."

intellectuals, who claimed that the widespread use of computer keyboards without the table would undermine the purity of the Spanish language.

Last month, Spain drew up new rules that would make it legal for computer manufacturers to sell keyboards lacking the table in corporate clients and official institutions, but to cater to individual customers. According to Spanish officials, the new regulations satisfy EC requirements, and most analysts say that the EC is unlikely to press the sensitive issue.

The British are clearly among the most vocal critics of EC directives. Years ago, the country's wine-makers objected to an EC attempt to enforce minimum stock-control rules on wine sales—or "bongras," as the British call them. More recently, EC officials circulated a draft regulation that would prohibit the use of nightgowns, a preservative, in most products—

another threat to British sausage makers, who say that they cannot produce bangers without it. Michael Fogelin, an adviser on food law to the UK Meat and Livestock Commission, for one, said that if the proposed regulation takes effect, British consumers "will be eating sausages like the rest of Europe." A spokesman for the EC industry commissioner, however, denied that the regulations infringed on local tradition. He added: "We don't want to conflict the culinary riches of Europe in a straightforward."

Another controversy involves an EC regulation that will force Britain to begin introducing metric measurements by 1995. The original directive would have made it illegal by the year 2000 to sell alcoholic drinks, water, fruit juices or other beverages by the ounce or pint. But after a prolonged public outcry, British Trade and Industry Secretary Peter Lilley announced that he was using a special exemption permitting the sale of draft beer, cider and bottled soft drinks



the pint. In contrast to the rest of Europe, Britain also will continue to measure road distances by miles rather than by kilometers.

Earlier this month, EC officials stayed yet another controversy by recommending that member states adopt a uniform code of conduct prohibiting sexual harassment in the workplace. The proposed code would define sexual harassment as "unwanted conduct of a sexual nature or other conduct affecting the dignity of men or women at work." One popular London tabloid, The Sun, immediately publishing a photograph of four topless models, along with a caption protesting that the EC proposal could lead to a ban on the posting of male pin-ups in workplaces. Over again, the EC officials said that the code was "a common sense."

BARBARA WICKINGS in London with ANDREW PHILLIPS in London

Glitter without gold

The novelty has worn off the world's largest mall

When it opened in 1981, one of the project's developers described it as "the eighth wonder of the world." In fact, the 121-acre, 808-store West Edmonton Mall, which includes a hotel and a huge indoor amusement park, is still the world's largest shopping centre. But by Edmonton's four trans-Canada Gamesmen brothers, the mall rapidly became a magnet for local shoppers as well as for tourists from around the world. But now, with the mall's 10th anniversary just weeks away, it seems to have lost some of its glitz. Issues of access to the shopping complex are vexant, and many of those remaining acknowledge that they are having difficulty paying their rent. Moreover, the Gamesmen over the next talk-about shopping-mall developers in North America, have given up control of two major mall Edmonton property developments in the past few months. Still, a Vancouver-based real-estate analyst. "There are definite checks in the Gamesmen area."

Like many shopping-centre developers, the Gamesmen—Raymond, Robert, Alexander and Niall—have been hurt by the decline in

retail sales caused by the recession. At the same time, the novelty of visiting an amusement park inside a shopping centre seems to have worn off for many local residents. "People get bored with the same old rides," says Adam Fries, a marketing professor at the University of Alberta. Fries, who has studied the mall since it opened, adds that he is convinced that it has failed to generate the hoped-for profits. "The problem is that the mall is so big that it is hard to keep it fully leased," he says. "I've heard that there are some stores that haven't paid their rent in a year."

The Gamesmen have declined to comment on their current predicament, and their family-held development company, Triple Five Corp. Ltd., keeps its financial position private. But company chairman Alexander Gamesmen appeared before Edmonton city council last month to ask for a six-month deferral of the mall's \$7.9-billion, 1991 property tax bill and an exemption from late-payment penalty charges of \$240,000. Gamesmen added that some of the shopping complex's tenants were in arrears on their tax payments to the mall's

management. He also threatened to shut down the mall's water park and amusement rides "I'm telling you, I'm converting this in five years to another business," Gamesmen said of the amusement park.

Still, the city's politicians unanimously rejected the Gamesmen's demands. Declared Edmonton Alderman Sheila McKay, "I believe Triple Five Corp.—the Gamesmen—are starting to grow. But I'm very glad we have taken the stand we have to that all businesses can be on a level playing field." A spokesman for Edmonton's property-tax records office declined to say last week whether Triple Five had worse paid its 1990 taxes in full.

The other Gamesmen, Edmonton-area properties to run into problems recently include an office tower and apartment complex in November, the family sold its 50-per-cent stake in Edmonton's Eaton Centre, a downtown retail and office complex, to Consolidation Life Insurance Co. of Toronto for \$1.1-billion. Life had previously held a \$150-million mortgage on the property. And in February, the Gamesmen gave up their ownership of West Edmonton Village, a 1,178-unit apartment development, to the Alberta Mortgage and Housing Corp. The agency provided a \$40-million mortgage in 1981 to finance the project, but a spokesman said that the development's market value had fallen to \$55 million by the time the agency took it over.

Those two transactions have led some analysts to express doubt about the long-term



West Edmonton Mall's Phase III: 'definite checks in the Gamesmen arena'

business viability of the West Edmonton Mall. Robert Hawkesworth, a former critic for the provincial New Democratic Party, for one, says that he is worried because the Alberta government currently has more than \$750 million invested in the mall. A provincial-owned financial institution, Alberta Treasury Branches, has provided \$150 million in a line of

credit to the Gamesmen and \$50 million for the fourth mortgage on the mall. In partnership with other lenders, it also holds a \$50-million third mortgage on the development.

According to some real estate analysts, the Gamesmen are now trying to find buyers for several of their other properties in the Edmonton area. They still own several hotels, restau-

rants and smaller shopping centres in the city. Searching for new opportunities, three of the brothers moved to Toronto in 1989. The family later purchased two parcels of land in nearby Mississauga, Ont., and announced plans to build houses and apartments on the sites.

Over the years, the Gamesmen have sought public assistance to help build similar large shopping and entertainment complexes around the world, including southern Ontario, upstate New York, Berlin, Germany, the Soviet Union and China. But each of those projects foundered when local government officials declined the family's requests for public funding. Now, much of the Gamesmen's attention appears to be focused on the so-called Mall of America, a \$720-million shopping and entertainment complex set to open next year in Bloomington, Minn. The four brothers, who conceived of the project in 1983, had planned to own and operate the mall themselves, but in 1987 they agreed to share control with a partnership partner, Indianapolis-based Melvin Simon & Associates Inc. With more than 400 stores, 12,000 parking spaces and an indoor theme park inspired by the comic-strip character Scooby, the development will be the biggest shopping mall in the United States. Despite their setbacks in Edmonton, the Gamesmen clearly believe that one-stop shopping stops are the way of the future.

BRIGID McMURPHY with ELAINE O'NEILL in Edmonton

Rushing water.

If you're like most people, the demands on your time are ever increasing. One minute, you're rushing to meet friends the next you're rushing to meet a



your body, it has a way of making everything feel better. In other words, a healthy balance not only for your body but for your mind as well. And Evian is

the very essence of that balance. Indeed, you can find no better water than Evian

its uniquely balanced mineral composition is the result of 15 years of natural filtration deep within the glacial formations of the French Alps. And



French law ensures that Evian can be bottled only at its source. So it comes to you pure and unaltered. The next time you're rushing around, try not to take your body for granted. Take the time for Evian. And add a little balance to your life. Evian. The balance."



A premier elected to be different

BY PETER C. NEWMAN

Establishment Toronto hasn't been this upset since Prime Trudeau admitted he'd once attempted to poison a woman in Cuba as the hopes of a second prime minister.

"It's a disaster," exclaimed in Ottawa, but for a socialist to be regarded as Queen's Park—just 10 blocks away—well, it's more than any right-thinking Bay Street capitalist should have to put up with.

Bob Rae, Ontario's first new premier, has had a tough time living up to his billing as the renegade left mainstay of the socialist hordes. More preoccupied with running the shift day car-control that has become his oldest (and as automating the means of production, he has bucked almost all of his anti-business legislation. Proposed laws on director liability, a minimum corporate tax, rent controls, employment equity and more stringent environmental measures have all been shelved or drastically watered down.

Ontario's avowed conservatism is thus defying order from disgraced (and actual) harts. But referring to it. One of the main problems is that there are no forces anywhere. Ever since Ontario was put on the map 124 years ago, Liberal or Conservative governments have almost always taken turns running the provincial province. The man (and it was men) who operated these successive administrations were, most of them, former or future Bay Streeters themselves—so there was always suspected contact between business and government. (Two of the most recent regiments, Bill Davis and David Peterson, both originally out-of-towners, are now largely lost in downtown Toronto legal fixations.)

Historically, Ontario businessmen have enjoyed easy access to power. At least one Bay Street lawyer, Richard Roberts, had a direct telephone line right to the desk of then Premier John Robarts. Now, when Bay Street calls, it gets the switchboard.

That colorful state of affairs has left the Toronto power brokers feeling isolated and

Historically, big business in Ontario has enjoyed easy access to power. Now, when Bay Street calls, it gets the switchboard.

angry. There's even a staged play going the rounds that catches the current mood.

Three Bay Streeters were sitting around belching about how impossible it is to get a hearing at Queen's Park. They don't know any of those ultra-radical writers' three-piece suits, who have taken over Canada's largest—and most respected—province.

One of the Bay Streeters indignantly suggests that he may know just the right contact who could get them a hearing. "Listen," he says, "my wife once had her picture taken with a guy who knows a guy now working at Queen's Park."

They decide that probably wouldn't work, and the second complainer suggests "I now want to see a success story where one of the councilmen later entered a swimming competition who used to know somebody that once sat at Ray's bar. Maybe we could use him."

"Oh, hell," the third Bay Streeter shrugs, "let's use my cleaning lady. She's in the cabinet."

Such ill-informed and cheerless stories aside, what business is really objecting to is that for the first time in its history, Ontario has an administration whose agenda is socially instead of market-driven. Rae was elected to

be different, he can't believe like a slightly pink cloud of the government parties that have ruled the province in the past, even if he wanted to—which he doesn't.

The approach has seriously rattled the province's credit rating and just about halted Ontario's industrial expansion. When one major Toronto manufacturer, who recently decided to build his plant extension in Texas, was asked why he didn't reconsider in Toronto, he was told by his board of directors, he replied, "Actually, I did. First they sat there with their mouths hanging open. Then they went out laughing. As long as Bob Rae's around, nobody in their right senses will build anything of consequence in this province."

That's a pretty harsh judgment, as we may justify by Rae's words or actions. And yet it's a reaction universal enough that Canada's two next provinces-to-visit, Roy Romanow of Saskatchewan and Michael Hoenert of British Columbia, recently dissociated themselves from their Ontario colleague.

On May 13, Romanow addressed a private gathering of Toronto Establishment types at the Albany Club during a dinner to honor Roy McMurtry for his appointment as associate chief justice of Ontario. In his speech, the Saskatchewan opposition leader (who will be given greater status, still, even as the last of Devotee intervention) very clearly stated that he didn't like the Ontario budget and had no intention of using deficit financing as that grand a scale in his own province.

Nearly a month later, on June 10, at a similar private Toronto gathering, the B.C. opposition leader came down even harder against the Ontario deficit. "That's not the direction I'm contemplating," Hoenert declared. "Our economies are different. Deficits of that size are foreign to my thinking."

It truly was the size of the deficit—\$9.7 billion, three times that of the previous year—that caused the most trouble. Rae has repeatedly pointed out that most of that expenditure was due to his Liberal predecessor's policies, and that the entire country isn't going to build wall socialist fantasies ("I say to those who don't like deficits, 'What would you cut?' he argues. "Would it be funding for schools? For hospitals and community care for seniors?")

But Rae doesn't comprehend the business mentality. It is not that most businessmen don't care about starving and underfunded kids. It's that the message they received from the Rae budget was not that he wanted to help those who need it most, but that he was totally disinterested in his personal responsibility. And that as long as there are angry social trends regarding massive reductions of public-sector funding—which is forever—the size will spend the necessary money, whether the treasury is empty or not.

Bob Rae's great dilemma is that those politicians who are so concerned with issues of social justice will never be understood by businessmen, who are primarily preoccupied with the constant of wealth—and vice versa. The fact that you can't have one without the other has yet to occur to either side.

PEOPLE

Beatty's daddy role

Hollywood's most notorious playboy, Warren Beatty, is going to be a father. Beatty, 54, and Annette Bening, 33, his co-star in *Shogun*, due for winter release, are expecting a child early next year—a first for both. It is also the first time that any of the long list of actresses who have dated Beatty has announced that she is carrying



Beatty picks a list of co-stars

his child. His ex-girlfriends have included his *Shogun* co-star Julie Christie, his *Red* co-star Diane Keaton and, recently, his *Dog* (re)star Madonna. Beatty once said that Christie and Keaton were the loves of his life. In February, during Beatty's divorce, Bening noted Beatty's tendency to romance his female opposite numbers, but commented "It's not like that. You don't always like to love with your leading man."

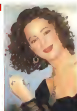
A successful rocket launch

Raghib (Rocky) Ismail was the center of attention last week at Toronto's SkyDome, where the largest crowd for a Canadian Football League home opener this season had gathered. The vice receiver from Newark, N.J., became

the second-highest-paid player in football, behind San Francisco's Joe Montana. Ismail, 28, who missed the exhibition season because of an injury, did not disappoint the fans. He made an impressive 73-yard punt return to scoring position. And although he handled the ball only seven times, he gained a total of 213 yards, helping the Argos defeat the Hamilton Tiger-Cats 43-16. After the game, Ismail said that he had been nervous. Declared the wacker "I've just glad it's over."



Ismail no disappointment



All grown up

Becoming a pop singer Sarah McLachlan was only 17 when Warner's Network Records offered her a contract, her parents convinced her not to leave home. But after she finished high school, she recorded her first album. And now, at 23, McLachlan has released her second album, *Solace*. Fortunately, says McLachlan, her parents have no more concerns about her maturity. She added, "I've shown them that I can handle myself. I haven't had to ask them for money yet."

McLachlan parents no longer worried

BACK IN THE GOOD OLD DAYS

Boston Red Sox left fielder Ted Williams is looking in 50th-anniversary celebrations of his 1941 season, when he batted .406, the best time a player hit better than .400. Last week, the Hall of Famer disclosed that in 1959, when his performance had slipped, he insisted on a \$15,000 pay cut. Said Williams: "It was the only fair thing to do." That next season, at 41, Williams batted a very respectable .316 and hit 29 home runs. But, he retired after 19 seasons. His salary was \$70,000—a lot less than many players now earn in a single week.

Less underwear

It is not unusual for female fans to see Tom Jones these past years. But the Welsh sex symbol says that he no longer tries to impress that behavior. Added Jones, who has just released *Careless* a Zerk, an album he recorded with Tom Marmora: "It became harder then when I was doing sexually and started to be a woman—I try not to capitalize on it as much as I did." But the singer, who spends most months of the year performing, will re-release his new album, *Tom Jones*, 31. "I'm not saying 'Many years' because in your hand." Whatever, people want to do, with reason, is fine.



Jones will like to have fun



Perkins (left), Dawes, Resnais, Roebig: renowned for finely mannered playing

MUSIC

A grand finale

The Orford Quartet leaves a resonant legacy

On a bitter winter evening seven years ago, members of the Orford String Quartet landed in the music community of Los Angeles. On Jan. 27, 1967, a three-hour light-music of Wayne, a few hours before they were to give a concert there. Finding that the airport lounge was closed, they had to be accommodated elsewhere and telephoned for a taxi. "We were petrified that the instruments would 'roll,' resulting around violent Kenneth Perkins. The only solution they managed to extract reduced to make one—he was in the middle of his duties. But he did show up eventually, and the four musicians, as well as their instruments, arrived chilled but otherwise unharmed at the local town centre in time for their recital. In its 38-year existence, the Toronto-based Orford Quartet has recorded more albums in London, New York City and scores of other continents around the world—including Los Angeles on July 27 and 28 in Skatone. On a ceremony 35 years on in Toronto that holds an annual music festival—the celebrated quartet will give its final performances.

The Orford, which had just returned from an engagement at the new Canadian Embassy in Tokyo, is without question Canada's pre-em-

inent string quartet. Renowned for its expressive, finely mannered playing, the group has given thousands of performances and made more than 50 recordings. Among its most impressive achievements was winning first prize in the European Broadcasting Union's international string quartet competition, held in Stockholm in 1974. In its own country, the Orford has occurred three times. After its first-run quartets are essentially fragile, they cannot even sustain four exceptional musicians are committed to forging a single entity. Indeed, of the Orford's original members, only Perkins, 56, and first violist Andrew Dawes, 51, remain. And when Dawes announced last year that he would leave the group at the end of the 1999-2000 season to pursue other interests, the actors decided to disband rather than replace him. But 35-year-old Orford violist Sophie Resnais: "We had different ideas about what we wanted to see the quartet do, so we decided that it was time to move on."

The Orford began in 1965, the year of Resnais' birth. Its original members—Dawes, Perkins, violin Tamas Resnais and cellist Marcel St-Clair, all of them Canadian-born—gave their first performances at the Orford Arts Centre in Mont-Orford, Que., 100

km east of Montreal. Soon afterward, Toronto became the group's home base. In 1967, its members were important members for a debut performance at New York's Carnegie Hall, marking the beginning of an illustrious international career for the group. The Los Angeles Times produced in 1983 that the Orford would become "one of the super-quartets." And four years later, The New York Times praised the Orford's "sensitive musical sensibilities and dynamism," adding that the group's "beautiful recordings possessed quiet mastery of 'elegance and delicacy' and 'sublimated exuberance.'"

But the Orford's success in the 1960s was tempered by the upheaval of personal changes. In 1966, St-Clair left to pursue an interest in early music and Montreal-born cellist Denis Roth left his place. Robert Levine succeeded violinist Resnais in 1988 but resigned a year later; the British-born Resnais, then only 22, replaced him. And when Roth left the group in 1988, the current Orford violist, Vancouver-born Desmond Hewitt, was 28, assumed the post.

A small ensemble group's fortunes nearly always take, as Hewitt describes it, "a lot of a day" when a new member joins. Promoters are often likely to look for a group that they are used to the ensemble's reliability and quality. With all of the Orford's arrivals and departures in recent years, the group's international bookings have fallen off, and the quartet was in the midst of a rebuilding period when it decided to disband.

The group also suffered setbacks with recording companies. The Orford has recorded extensively on Canadian classical record labels, but these companies lack the reach for effective international distribution. In the mid-1980s, the Orford appeared to be on the verge of a new recording contract with the Los Angeles-based Decca label to record the 16 Beethoven string quartets. Five of the series' eight projected compact discs were released and earned spectacular reviews. But in 1988, Decca went into insolvency. The three recordings that would have completed the set were made, but have never been issued.

Soon, those misfortunes, along with the group's advancement, will belong to the past. After three past performances in the Music at the Movies festival, the group's members will turn to various activities. Dawes and Perkins say that they would like to do more solo playing and teaching. Hewitt is moving to Tucson to join the Houston Symphony Orchestra as its principal cellist. Resnais is returning to Britain briefly before setting out on a trip to Southeast Asia, where she plans to learn more about Indonesian music.

Still, the four musicians say that they retain an intense affinity for string quartet playing. "When I hear a quartet and they're playing 'The Orford' (their's) no matter how small the orchestra, and the intertwining of the voices that is more appealing to me than anything else." Many who have listened to the Orford have felt the same way.

PAMELA YONG

FILMS

Inner-city heat

Violence dogs a movie that preaches peace

It is a complex movie with a simple message: Just before the first credits roll on *Boys n the Hood*, a narrator draws about 30 ft into the toughest neighborhood in Los Angeles, an elegant, hopeful urban fantasy across the screen: "Increase the peace." But in the film's opening scene North America this month, that message was all but lost in a cacophony of gunfire and ambulance sirens. In cities across the United States,

rate of a Harlem drug king. In the days that followed, shootings occurred at theaters screening *New Jack City*, *Los Angeles* and *Boyz n the Hood*, many scenes of adolescent violence, scenes of at least 30 U.S. movie houses pulled *Boys n the Hood* from their screens.

The violence seemed especially tragic in light of the movie's decidedly optimistic tone. The coming-of-age story of Tre Styles (Cuba Gooding Jr.) a black teenager



Gooding (center) dealing frankly with ghetto life

born in a drug-infested area of south-central Los Angeles, the film—whose title is a pun on the title of the novel by Iceberg Slim—depicts the life of a young man in a tough neighborhood. The film's message is clear: "Increase the peace." But in the film's opening scene North America this month, that message was all but lost in a cacophony of gunfire and ambulance sirens. In cities across the United States,

rate of a Harlem drug king. In the days that followed, shootings occurred at theaters screening *New Jack City*, *Los Angeles* and *Boyz n the Hood*, many scenes of adolescent violence, scenes of at least 30 U.S. movie houses pulled *Boys n the Hood* from their screens.

Especially troubling in the day-to-day relationship of Tre and his father, Furious (Laurence Fishburne), who would eventually to Tre's son as an appreciation of the virtues of self-respect, self-love and self-love. At times, John Singleton's *Boyz n the Hood* is a 25-year-old first-time filmmaker's own memories of his Los Angeles hood—borders on the sentimental

about as follows: He paints a sensitive portrait of a young man and his father. In one scene, a young boy takes his hands to his own forehead to police him. These, bullet holes make a well and pool of blood dot the pavement. When one of his schoolmates calmly asks if a murder has occurred, the boy makes it clear: "No. I don't. I don't see any faces here."

The *Boyz n the Hood*, speculated that the mere proximity of several gangs in one theatre inevitably triggers some degree of violent behavior. But *Boyz n the Hood*, a film about violence, was shown in one location to see a reflection of the lives on the big screen. Soon, they start to identify with the language and the feel of the movie—even if it preaches serenity—and it gets them scared up."

Other observers blamed Columbia's protestations pre-release advertising campaign, which emphasized the film's low-gravity genre series. Responding to the criticism, Columbia vice-president of publicity Mark Gill said *Boyz n the Hood* was the company was at the verge of completing a new set of commercials. He added that Columbia had also begun to distribute videotapes designed for display in the lobbies of theatres screening *Boyz n the Hood*. The video includes personal messages from Singleton and several of the film's stars, including popular rap singer Ice Cube, opening up against gang and color.

In the meantime, many theaters seemed to continue showing the film, which on its first weekend earned more per screen than any other movie in North America, taking in an impressive \$11.1 million in tickets—about \$2 million more than the previous record. And according to Columbia's GCI, more than 100 new theatres across North America placed orders for the movie in the days following its premiere—but violence—premiere. In the light of an unbroken reception, *Boyz n the Hood* proved to be no more successful in the better summer films of 1991.

VICTOR DRYER

Maclean's

MEET-HELLO LIST

RECIPE

- 1 The Kitchen Club, Wild, (1)
- 2 Maclean's, (1)
- 3 An on the Grass, (1)
- 4 Incomparable, (1)
- 5 "H" is for Humilis, (1)
- 6 Bookends, (1)
- 7 The Kitchen Club, (1)
- 8 The Kitchen Club, (1)
- 9 The Kitchen Club, (1)
- 10 A Kitchen Club, (1)

NONFICTION

- 1 The Kitchen Club, (1)
- 2 The Kitchen Club, (1)
- 3 The Kitchen Club, (1)
- 4 The Kitchen Club, (1)
- 5 The Kitchen Club, (1)
- 6 The Kitchen Club, (1)
- 7 The Kitchen Club, (1)
- 8 The Kitchen Club, (1)
- 9 The Kitchen Club, (1)
- 10 The Kitchen Club, (1)

(1) Fiction list only

Compiled by Bruce Bellows



The Revenge of the Zalmoids

BY ALLAN FOTHERINGHAM

In the Land of the Zalmoids, it is back to the future. Given almost no choice of being up to the 1900s, if not the next century, the strange breed called Social Credit elected—*zartle-blee*—a retired look into its shell. Other candidates might take pride in clothing, in the age of bromides, the first female premier in the land. The Socialists, however, are different: They choose to stick with the first grandmother to run a province. Rita Johnston, the maverick maid that the Binkles didn't have in mind, confirms the belief that the First Descendants of Mike Hancock, before 1980 anyone, will provide Canada for the first time with those socialist prospects, the Ontario of Premier Pringle and the Saskatchewan of Roy Macrow by then having provided British Columbia.

This should not be considered unusual, since the Binkles are unusual people. It is not just that the government they control is possibly the only administration in existence that has an engineer, one Ross Fraser, as attorney general, since it cannot find a lawyer in its caucus considered capable of the task.

This is the party, generally hostile to the idea of higher education, that has ruled for 36 of the past 39 years with leaders who have never been tainted with the disrepute of a university education.

The grand tradition was followed in the weekend Vancouver convention that featured five candidates, some of whom had never returned further than the high-school graduation dance. Grandmother Rita, to look forward the process, got a postscript on her marriage by leaving school at 16 in the way to providing children by means of Derrick Colquhoun and Such a life in the first few called the "Wit Quiz." How we had a leadership convention before with a Chantons of Pans candidate! This would be no legislature by the name of Dame Carroll, who as a Seventh-day Adventist declined to attend the Saturday convention where he supposed to run Bennett Colquhoun. If he had won, was the province to be shut down one day a week? Who knows, it might help.

De we know another organization where



there has been a surprise quinquennial? That would be Mike Corvethen the former chief of the former province of Libensweiler and the former B.C. Minister, being former because Premier Winkie asked him after midnight one dark evening because he supposedly was tainted with the cartoon of The Zalmoids.

Mellow Mel, following his grade and trading the vices better than most, decided the result by taking (sorry, one night sex) to Grandy Rita on the second ballot, thus ending the bartender's friend, Grace.

This is a strange province. A shrewd wife of an old friend, she from a respected Prince Edward Island legal family, once led from their Vancouver residence because, she explained, the whole audience gave her to think she was "living in a beer conservatory."

This indeed is the land of stronglegged young men in shorts, the caudillo retreat that

acclaimed the strong-toothed Under Zahn who had inserted his copostone to a word he could not pronounce: abortion.

And yet? And yet? The struggle as to who was going to be the next premier got down to two granddaughters: one of whom was 34 and the other who said she was 63. This is really the edge of the frontier, the leaping point for the Pacific Rim, where the future lies? Give me an Overture.

The Zalmoids in fact prevailed. There was a cash prize in the press box for the first to say the checked "Full Nauseum"—white shoes, white belt, white tie—a national gasp issued in past Sacred sacrificial offerings. The sword was unsheathed for the mid-set pursuit.

Amazing Grace, with all the Murray Prime and Vancouver Black Eschewing sword, lost because the Zalmoids, locked in the past, never forget and never forgive. Grace fled the Sacred altar and the gothic Zalm three years ago, renounced my further interest in politics. After this year and entered the leadership race at the eleven-hour only because a newspaper paid her the best chance of becoming yet another female premier.

The Zalmoids, down from the hills and the basins that have always nourished Vancouver, know Premier Mom had antithetical ideas to the degraded Zalm—who developed a diplomatic disloyalty visiting "a sick breed in Colombia" rather than being treated as a leper at the convention.

This is a province where any cabinet minister who is out of a job is an open-mouthed fool—old vice versa. It is a province that has never provided a Canadian prime minister—one wants to. But the only province in Canada where a university education among politicians is considered a serious handicap, the first province in the Commonwealth where a cabinet minister was sent to the slammer for rambling words and where the legal authorities are still chewing over the decision as to whether the last holder of the position should be charged for his prior dealings with exponents Taiwanese politicians.

It is an unusual province, needless to say, unusual most of all in this July weekend in its determination to go backward rather than forward. The delegates—most of them of Rita's age and most of them looking like Rita, if truth be told—could remember those high-city McCarthys and big-city newspapers that led in their eyes drivers from office the spouse aside of The Zalm.

So they got their revenge. The Revenge of the Zalmoids. And so they have elected the new. Everything comes to those who wait.



"The Picnic" by Monet. "The Plates" by Chinnet.

From office words to your own backyard, you're always in a social club. Even an organism to some. And as a silent companion for all sorts of parties, both formal and informal, there's a Royal Chinnet. Paper plates that don't fold up (even under the most generous savings) or fold to a set of notes in the annual of birds and fish. Leaving you to enjoy good food and good company—all it takes is the perfect setting.

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and rebuilding the heavy oak
casks of Justerini and Brooks. By
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It is in these handmade barrels
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fine scotch whiskies find their
smooth character and together earn
the name J&B.

In a day, Maurice will put his
mark on upwards of 50 casks. (He
keeps track with a piece of chalk.)

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important he is to the making of
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